Warwickshire County Council

Statement of Accounts and Annual Governance Statement

2010/2011

Warwickshire County Council

Working for Warwickshire

Contents

We would welcome any comments or judgements suggestions you have about this publication. Please contact Andrew Lovegrove, Group Accountant Financial Accounting, Resources Directorate, Warwickshire County Council.

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Independent auditor's report to the Members of Warwickshire County Council

Explanatory Foreword (Introduction) by the County Treasurer

This section highlights some of the most important matters reported in the accounts and comments on any issues that have had a major effect on our finances.

Explanatory Foreword (Introduction)

This document summarises our financial affairs for 2010/2011 and shows our financial position at 31 March 2011. It includes the following statements and accounts.

~ **Statement of accounting policies** – This sets out the accounting policies we have followed when preparing the accounts for the financial year.

~ **Statement of responsibilities for the statement of accounts** – This explains our responsibility and the responsibility of the County Treasurer and confirms the date the Council approved the statement of accounts.

~ **Movement in Reserves Statement** – This statement shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The net increase or decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves is undertaken by the council.

~ **Comprehensive Income and Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

~ **Balance Sheet** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and the statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'

~ **Cash-flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flow as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which

cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

~ **Notes to the core financial statements** – Notes to explain the Comprehensive Income and Expenditure Account, Movement in Reserves Statement, Balance Sheet and Cash-flow Statement.

~ **Firefighters' Pension Fund accounts** – This contains details of the Firefighters' Pension Fund for the financial year.

~ **Pension Fund accounts** – This contains details of the Warwickshire County Council Pension Fund for the financial year.

~ **Annual Governance Statement** – This reviews the effectiveness of our systems of internal control.

Revenue spending in 2010/2011

After considering the many spending pressures we faced, we increased the Council Tax by 2.4%, and we have continued to encourage managers to save money whenever they can without damaging services. We originally planned to spend £323.1 million, after using some of our past savings and allowing for expected income. Schools' budgets were again given a high priority, as was spending on other important functions such as social services.

By the end of the year, our final spending to be met from government grants and local taxpayers was £318.8 million (£392.8 million less £73.3 million general grant less £0.7 million Collection Fund adjustment). This was £4.3 million (1.3%) less than we had originally planned. See the Movement in Reserves Statement on page 30.

The tables over the page show where our money came from and how we spent it. Salaries, wages and other spending on employees made up the largest share of our spending and we spent most of our money on the children's and education service. Our money in 2010/2011 came mainly from Council Tax, the Government Revenue Support Grant and our share of business rates. Total revenue spending before income was taken off was £881.4 million.

Reconciliation from spending to be met by government grants and local taxpayers to total spending	**£ millions**	**£ millions**
Net spending to be met from government grants and local taxpayers		392.8
Collection Fund Adjustment		-0.7
plus:		
~ service income (including specific government grants)	477.0	
~ trading income	11.3	
~ interest on cash balances	1.1	
		489.4
Total revenue spending		**881.4**

Trading income of £11.3 million was from the trading accounts (see page 79).

Where the money came from	**£ millions**	**Percentage %**
Council Tax including surplus/deficit on previous years collection	231.7	27
Revenue Support Grant	11.7	1
Business rates	80.4	9
General government grants	36.1	4
Capital grants and contributions	37.2	4
	397.0	45
Specific government grants	398.0	45
Grants funding capital expenditure funded from revenue under statute	12.7	2
Reimbursements and contributions	38.0	4
Income from fees and charges	85.3	10
	534.0	61
Total revenue income on the Provision of Services	**931.0**	**106**
Other Comprehensive Income (gains)	72.9	8
Total Comprehensive Income and Expenditure	**1,003.9**	**114**
Reversal of items not affecting Council Tax	-118.2	-13
Surplus for the year transferred to the general reserve	-4.3	-1
Total revenue spending	**881.4**	**100**

We spent money on	£ millions	Percentage %
Children's & education services	547.1	62
Adult social care	183.2	21
Fire and rescue services	25.5	3
Cultural and other related services	17.5	2
Environmental services	25.5	3
Planning and development services	8.5	1
Highways, roads and transport services	55.4	6
Other housing services	0.3	0
Court services	0.5	0
Central services	2.1	0
Corporate and democratic core	5.1	1
Non distributed costs	-72.9	-8
Other services	3.5	0
Total spending on net cost of services	**801.4**	**91**
Other operating expenditure:		
- payments to the Environment Agency	0.2	0
- Gains/Losses on disposal of assets - held for sale and fixed assets	14.5	2
- external interest paid on loans	18.3	2
- income and expenditure in relation to investment properties and changes in their fair value	1.8	0
- trading account expenditure	10.6	1
- pension interest costs and expected return on assets	27.7	3
Total revenue spending on the Provision of Services	**874.6**	**99**
- principal repaid on loans	17.7	2
- capital spending met from revenue	5.1	1
- adjustment for items which do not affect the level of Council Tax	-79.5	-9
- money we transferred from reserves	13.8	2
- money transferred from the Pension Reserve	45.0	5
- money paid to Firefighters' Pension Fund	4.7	1
Total revenue spending	**881.4**	**100**

How we spent the money	£ millions	Percentage %
Payments relating to staff	484.4	55
Spending on property	50.7	6
Supplies and services	22.2	2
Other expenses	270.1	31
Buying and using assets	53.8	6
Total revenue spending	**881.4**	**100**

Other expenses include all transport costs in relation to staff and clients including transport operations and bus services (including school transport). A large proportion of this related to third party and transfer payments which include items such as payments to service providers for social care, payments to nursery providers, payments for waste management contracts, roads maintenance contracts, street lighting and other support services.

At the end of the year our total usable revenue reserves amounted to £65.7 million. In addition we also held usable capital reserves of £12.0 million at the end of the year. The tables below shows the different types of reserve we hold.

Usable Revenue reserves	£ millions
General reserve	12.5
Schools' reserves	22.5
Other reserves we hold for specific reasons	30.7
Total	**65.7**

Usable Capital reserves	£ millions
Capital fund	0.2
Capital receipts reserve	0.0
Capital grants unapplied reserve	11.8
Total	**12.0**

~ General reserve - reserve set aside for unexpected events.
~ Schools' reserves - reserves set aside specifically for schools to use.
~ Other reserves - reserves set aside for specific purposes.
~ Capital fund - reserve set aside for spending on assets with a lasting value
~ Capital receipts reserve – reserve holding capital receipts to be used in the future to pay towards future capital purchases or expenses as a result of sales of assets.
~ Capital grants unapplied reserve – to be used to fund future specific capital expenditure.

Capital spending in 2010/2011 - £89.2 million

Alongside our day-to-day costs, we spend money on assets such as buildings, new roads and major maintenance work. During 2010/2011, our capital spending came to £89.2 million. The largest amount (46%) went on building work and fees, 33% went on roadworks and bridges, and the rest went on buying land, vehicles and major equipment, regeneration and improvements to the environment, grants and other costs.

Our spending of £89.2 million was £7.7 million less than our estimate of £96.9 million. This underspend was due to delays on individual projects. We now plan to spend this £7.7 million in 2011/2012.

We spent £41.5 million (47%) on projects relating to children, young people and families, £34.4 million (38%) on projects relating to environment and economy, and the balance of £13.3 million (15%) on other services.

The projects relating to children, young people and families we worked on in 2010/2011 include the following:-

- ~ Capital spending devolved to projects managed at individual schools - £17.3 million. Of this, the Government's 'devolved grant' allocations totalled £7.2 million. A further £10.1 million at school level was funded mainly from outside grants, and contributions from the schools' revenue budgets.
- ~ Extension of Stratford High School - £2.2 million.
- ~ Extension of Harris High School, Rugby - £2.6 million.
- ~ Amalgamation of Woodloes Junior and Infant School, Warwick £4.9 million.
- ~ Grants to external child care providers - £0.5 million.
- ~ IT improvements and modernising schools and services - £3.1 million.
- ~ Other projects relating to children, young people and families totalling £10.9 million.

The environment and economy projects we worked on in 2010/2011 include the following:-

- ~ Construction of Rugby Western Relief Road - £10.1 million.
- ~ Structural work to maintain roads and bridges - £12.4 million.
- ~ Integrated Transport - £2.8 million.
- ~ Schemes to improve our waste management facilities - £1.3 million.
- ~ Transport schemes funded by developers - £3.0 million.
- ~ Countryside and Rural strategy - £2.9 million
- ~ Other environment and economy projects totalled £1.9 million.

We spent £4.3 million on Adult Social Care Homes which were previously held by the Primary Care Trust. We also carried out structural maintenance work, replaced boilers, rewired buildings and treated asbestos at a number of buildings, including Schools, Homes for Elderly People and Libraries, at a cost of £4.4 million. We also spent £1.2 million on new vehicles and equipment for the Fire Service. We spent £0.4 million improving customer facing buildings and office accommodation and £0.5 million on libraries radio frequency identification. Other projects totalled £2.5 million.

The tables below show where the money came from and how we spent it.

Capital spending 2010/2011

Which services we spent money on	**£ millions**	**Percentage %**
Adult, health and community services	4.5	5
Children, young people and families	41.5	47
Fire and rescue	1.2	1
Environment and economy	34.4	38
Customers, workforce and governance	1.2	2
Resources	6.4	7
Total	**89.2**	**100**

How we spent the money	£ millions	Percentage %
Building work and fees	41.1	46
Roadworks and bridges	29.8	33
Furniture and equipment	6.1	7
Vehicles	1.2	1
Regeneration and improvements to the environment	3.2	4
Land and building purchases	4.3	5
Grants and other spending	3.5	4
Total	**89.2**	**100**

Where the money came from	£ millions	Percentage %
Borrowing	34.1	38
Grants and money from other organisations	44.7	50
Selling assets	5.3	6
Capital fund	0.0	0
Revenue	5.1	6
Total	**89.2**	**100**

Funding Analysis	£ millions	Percentage %
Assets we own	71.5	80
Assets we don't own	17.7	20
Total	**89.2**	**100**

Assets we do not own includes capital expenditure which we are authorised to have financed from capital resources but on assets that do not belong to us, such as equipment for foundation schools and contributions to external childcare providers. This came to a total of £17.7 million in 2010/2011.

Value of our assets

We revalued our land and building assets at the end of March 2009. We do this every five years. At the end of March 2011 we revalued those land and buildings assets which had more than £0.250 million spend during the year, and all our investment properties and assets held for sale. These valuations led to an increase in the value of our assets of £1.5 million. The final overall value of our assets after considering the spend, valuations and disposals is £1,201.4 million.

Significant changes in policy

We now have to prepare our accounts under Internal Financial Reporting Standards (IFRS). The accounts for 2009/2010 were prepared under UK GAAP (Generally Accepted Accounting Practices) and have now been restated under IFRS. In 2009/2010 we were required to account for Private Finance Initiative (PFI) and other similar contracts under International Financial Accounting Standard (IFRS) rather than UK accounting standard FRS 5. The requirements are based on IFRIC 12 Service Concession Arrangements which address

concession operator accounting. In essence this was intended to result in a number of PFI assets, commonly schools, public transport assets, hospitals etc, used by PFI service providers to provide services to the public, being recognised in balance sheets together with a liability for financing provided by the operator for the first time. This change was introduced for 2009/2010 for local authorities to ensure that similar treatment was applied in local authority accounts as to those used in the Government's Whole of Government Accounts being prepared under IFRS for 2009/2010. This change has not led to any assets being recognised on our balance sheet.

Other changes under IFRS have resulted in a number of changes including the reclassification of assets, reassessing leases we have with third parties and those they have with us, accounting for employment costs such as untaken annual leave at year end, accounting for government grants and contributions, an extension of the movement in cashflow for the year to include cash equivalents. This has to be applied retrospectively so 2009/2010 comparatives have been restated according to these new IFRS standards. In addition we are required to show an additional Balance Sheet as at 1 April 2009 (the transitional Balance Sheet).

We have also been required under IFRS to breakdown our assets into major components. This means that each component may have a different useful life assigned to it than it would do had it been assessed as a whole.

We only have to apply this to new assets or additions in assets from 1 April 2010 and does not need to be applied retrospectively i.e. to assets acquired or constructed before that date.

Because IFRS required us to apply the rule going forward, but not retrospectively, componentisation does not apply to the entire asset register from April 2010. Therefore, there is some potential for assets to continue without componentisation pending valuation or further spending to enhance the asset taking place.

This may lead to small to small differences in reported depreciation which might have occurred had componentisation been retrospective.

Major changes in function

There were no major changes in functions (that is, changes in the services we provide).

Pensions

For some years now we have fully complied with the Financial Reporting Standard 17 (FRS 17), a reporting standard that relates to retirement benefits. Under IFRS this is applied via International Accounting Standard 19 (IAS 19). We must make sure that the financial statements reflect fairly the assets and liabilities that we are responsible for as an employer relating to retirement benefits, and that we show the true cost of these responsibilities.

Under the IAS19 regulations, the shortfall on the Local Government Pension Scheme (LGPS) in the balance sheet is £236.3 million, the shortfall on the Firefighters' Pension Scheme is £166.3 million, the shortfall on the Fire Injury Awards Scheme is £16.9 million and the shortfall on the teachers' discretionary benefits pension scheme is £42.0 million. Any extra service costs shown on the income and expenditure account are met by a transfer from the pensions reserve so that the charge against Council Tax reflects the actual cash paid during the year.

The pension fund's actuary values the pension fund every three years. The last valuation took place as at 31 March 2010 and showed the pension fund was 83% funded. A gradual increase (in steps) in employers' contribution rates for the three years from 1 April 2009 should work towards our long-term aim of achieving a 100% funding level. We aim to recover the shortfall over 19 years. The next valuation which will take place as at 31 March 2013. The actuary will look at the funding position again and will set the employers' contribution rates for a further three years from 1 April 2014. The contribution rates could increase or reduce depending on investment performance and changes in assumptions such as pensioners' life expectancy rates.

Whole of government accounts

We have to tell the Government about the money we have spent and the money we have received from other public bodies. This will allow the Government to produce accounts for the whole of the public sector. Our auditors will review this information but it does not form part of our statement of accounts. For 2010/2011 we will have to provide additional information to enable the Government to prepare its consolidated accounts under the provisions of International Financial Reporting Standards in relation to accounting for infrastructure assets, even though this will not be implemented in local authority accounts for a couple of years.

Group accounts

We have not identified any associated companies, subsidiaries or joint ventures which would mean we need to produce group accounts as set out in the CIPFA IFRS Code**.** Our auditors will review our work as part of their audit to confirm this.

Pay review

The Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, sets out the principle of equal pay for men and women. As part of the National Pay Agreement 2004, we had to carry out a pay review by 1 April 2007 to make sure that our pay arrangements for men and women are fair. In Warwickshire, because of the size of the project, we are doing this in two stages. The first stage is complete and changes were built into a revised pay structure from 1 April 2007. Stage 2 has been completed into a revised pay structure from 1 November 2010.

In accordance with regulations we are required to account for the cost of the pay and conditions review relating to 2010/2011 in the cost of services in the income and expenditure account for the year. However we can opt only to have to finance from the general fund resources those which have actually been paid in the year. In order to do this we make the appropriate adjustments through provisions and in reserves by the setting up of an Equal pay back pay account. We have not needed to do this in 2010/2011.

The ongoing costs of this review have been fully funded. Most of the one-off costs we expect to pay have already been paid and fully funded. We have also provided in these accounts, under provisions, an estimate of any that we still think are probably due but have not been settled by the 31 March 2011. These are also fully funded.

Local Area Agreements (LAA)

A Local Area Agreement (LAA) is a three-year agreement based on local sustainable community strategies. An LAA sets out the priorities for a local area agreed between central Government, the local area being represented by the local lead authority and other main partners through local strategic partnerships (LSPs). We signed a local area agreement within

Warwickshire on 29 March 2007, which came into affect from 1 April 2007. A three year LAA was signed again on 1 April 2008. The LAA is an agreement between the local organisations in Warwickshire, which include:

- us;
- the district councils;
- the police authority and the Probation Service;
- the health body in Warwickshire (NHS Warwickshire);
- learning bodies,
- the voluntary and community sector;
- other non-statutory organisations.

We are the accountable body, which means we are responsible for making sure that financial management arrangements are in place.

Looking ahead to 2011/2012

In 2011/2012, after considering many spending pressures, we have not increased our Council Tax. We also used some of our savings (reserves) to support our spending on services. £1.048 million came from savings individual services had made in previous years. Services also borrowed a net £0.382 million after repaying some monies that they had borrowed in earlier years to fund specific projects. In addition £3.471 million was paid into reserves. The actual increase in planned net spending (after income) was 5.79%. We plan to spend £341.8 million, again giving priority to spending in schools, caring for older people and pursuing a sustainable environment and other important services to the public.

We will continue to try to meet the costs of pay rises and rising service demands by making our services more efficient and improving value for money. Our aims are set out in the budget resolutions, which the Council approve in February each year.

John Betts
County Treasurer.

Statement of accounting policies

This section summarises the accounting rules and conventions we have used in preparing these accounts.

General

The content, layout and general rules we used to prepare these accounts complies with the Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRSs) and developed by CIPFA/LASAAC. The accounts for 2009/2010 were prepared under UK GAAP (Generally Accepted Accounting Practice) and have been restated accordingly under IFRS.

Changes in policy

Under the Code we are required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The application of FRS30 Heritage Assets has been deferred for local authorities until 2011/2012 which will include a number of new disclosure requirements.

Revenue and capital transactions

Revenue and capital transactions are recorded on an income and expenditure (spending) basis. This means that income is recorded in our accounts when we are owed it rather than when we receive it. Likewise, expenditure is recorded in our accounts when we owe it, rather than when we actually make a payment.

Acquired operations

We do not have any acquired operations.

Area Based Grant

This grant is received from the government as a general grant. This means it can be used to support any council funding without conditions.

Back Pay Arising From unequal pay claims

We have undertaken a pay and conditions review (see note 48 page 115 and the explanatory foreword). We expect this to be finalised before the accounts are signed at the end of September 2011 and that we have provided sufficient funding for any known liabilities at that time. We have provided any costs yet to be settled at 31 March as a provision.

Cash and Cash Equivalents

Cash is that held in current bank accounts and overdrafts where the balance fluctuates and is integral to daily cash flow management. Money held in call accounts and short term funds invested for a term of three months or less are classified as cash equivalents because they are readily available to be converted into cash. Deposits held for longer than 3 months and money management funds (Aviva) are not regarded as cash equivalents as they are not deemed to be readily convertible to cash or do not have a specific maturity date and are held for longer term investment purposes.

Financial Assets

Financial Assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans we have made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, we make available a car loan facility at below market rates and bicycle purchase/train season ticket loans interest free for employees. In addition we make a small number of business loans. These are known as soft loans. The amount of these loans represented on the 2010/2011 balance sheet has not been written down to fair value as the effect of doing so would have an immaterial effect on the financial statements. This treatment is outlined in the Code.

Trade debtors and trade creditors are due within one year and carrying value is deemed to equate to fair value.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the assets are written down and a charge made to the Comprehensive Income and Expenditure Statement.

Investments are recorded in the accounts at the price we bought them. Interest we pay on money we have borrowed, as well as interest we earned on money we lent, is shown in the accounts in the year it was due or earned. Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

We hold investments with Aviva Investments which are classed as loans and receivable.

Any gains or losses that arise on derecognition of an asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

We do not hold any instruments with quoted market prices. Available for sale assets are initially measured and carried at fair value. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement (MIRS). Where impairments are recognised or assets derecognised charges are made to the income and expenditure account along with any accumulated gains or losses in the reserve/ previously recognised in the MIRS.

Dividends are credited to the Comprehensive Income and Expenditure Statement when they become receivable. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on amortised cost of the asset multiplied by the effective rate of interest for the instrument.

We have entered into a financial guarantee prior to 1 April 2007 that we are not required to account for as a financial instrument. This guarantee is reflected in the accounts as a contingent liability under note 48 to the core financial statements.

Any financial assets or liabilities recognised and/or derecognised prior to 1st April 2006 have not been re-recognised in accordance with the Code.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income & Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For our borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

We have accounted for our discounts on early repayment of debt in accordance with the Code. When the authority restructures its debts this can often mean we pay a premium or earn a discount. We first have to determine whether the transaction taking place represents a modification or an extinguishment of a loan. All the discounts earned by the Council that we are accounting for under the Code have been as a result of extinguishment of loans. Discounts earned are taken immediately to the Comprehensive Income and Expenditure Statement. However, regulations allow the impact on the General Fund Balance to be spread over future years. We have a policy of spreading any losses over the term that was remaining on the loan against which the discounts was receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. We have chosen to amortise discounts earned on early repayment of debt from 1 April 2007 over 10 years in line with the requirements of the Code. We have not received any discounts in 2010/2011.

Discontinued Operations

We do not have any discontinued operations.

Employee Benefits

We have accounted for employment benefits in accordance with International Accounting Standard IAS 19. As a change from previous accounting under UK GAAP this now means that any entitlements that have been earned by employees as a consequence of the service completed by them as at 31 March each year have to be accrued for and shown in the cost of services in the Comprehensive Income and Expenditure Statement, even if we would never normally pay them, such as annual leave and time-off in lieu untaken at the year end. We still continue to account for pension benefits earned at the Balance Sheet date based on assessments provided by our Actuaries and GAD (Government Actuaries Department). Full details of those are shown in notes 46 & 47 on page 99 to 115.

Events After the Balance Sheet Date

We have to consider any material events between the date of Balance Sheet and the date the accounts are authorised for issue by the County Treasurer. Once we have identified anything we have to determine whether it is an adjusting or non adjusting event. We would, if anything were identified, agree treatment and disclosure with our auditors. Details of our disclosure is shown at note 6 on page 41.

Exceptional Items and Prior Period Adjustments

We do not have any exceptional items. Details of any prior period adjustments are shown in note 58 of the accounts on page 123.

Foreign Currency

We do not hold any foreign currency. We make limited payments for goods and services purchased from abroad using bankers foreign currency drafts in the appropriate denomination.

Government grants

Government grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them. Government grants we receive to pay for spending on our general service activities are shown in the appropriate service revenue account (within the net cost of services in the Comprehensive Income and Expenditure Account). General Grants we receive such as Revenue Support Grant and Area Based Grant are credited to the foot of the Comprehensive Income and Expenditure after Net Operating Expenditure. Where grants and contributions for revenue have no conditions for the repayment of grant these have been credited in full to the Comprehensive Income and Expenditure Statement and any unspent element held in earmarked reserves.

Capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement when any relevant conditions governing their use or repayment have been met. Before the conditions are met, they are held on the Balance Sheet as a liability. If we used the grant to pay for spending on our assets, the grant is credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure. I we used the grant for work, which is classified as Revenue Expenditure Funded From Capital Under Statute, the grant is shown as revenue income in the year to match the treatment of the expenditure. For all capital grants and contributions, we then take the income out of revenue and either hold it in the Capital Grants Unapplied Reserve, if it is to be used to fund capital expenditure in future years, or charge it to the Capital Adjustment Account so the level of Council Tax is not affected. Capital grants and contributions that are held in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment when they are used to fund expenditure.

Intangible Fixed Assets

We treat ‘intangible assets’ (assets which we cannot actually see, such as software licences) in the same way as other assets. Where intangible assets are included in capital spending, a physical asset cannot be clearly seen but its value is included in the intangible assets total as long as it has market value. We gradually reduce the value of intangible assets over their

useful life (up to 10 years) and charge this to the income and expenditure account. Intangible assets are valued at historic cost (the cost at which they were bought).

Investment Property

Investment property is designated as such if it is held purely for rental purposes or capital value appreciation. Investment property is revalued at open market value every year in accordance with the code.

Landfill Allowances Scheme

This is a scheme that we have to account for under the Waste and Emissions Trading Act 2003 designed to reduce the amount of biodegradable municipal waste to landfill. Further details are shown in note 55 on page 122.

Leases (Operating and Finance)

Leases can be designated as either finance leases or operating leases. Finance leases are those where substantially all the risks and rewards relating to the leased asset transfer to the Council. We have to deal with leases assessed to be finance leases in the same way as other capital spending. We have included these as assets in the balance sheet and will charge depreciation costs on them. Rentals are apportioned between a charge for the acquisition of the asset (recognised as a liability in the Balance Sheet at the start of the lease and written down annually as rent becomes payable) and a finance charge made each year to the income and expenditure account. Any lease which is not a finance lease is an operating lease. The vast majority of our lease-rental payments are assessed to be operating leases and are charged evenly to the income and expenditure account over the life of the lease.

Assets held for sale

These are assets that we have made a decision to sell and are in a condition to do so when that decision is made. If a sale is expected within 12 months of making that decision then they are treated as current assets and valued at open-market value at the time the decision is made to sell them. Those we do not expect to sell within 12 months are valued as their previous use.

Overheads

Most of the costs of management and administration have been recharged to services through service level agreements, which we agree with customers and review every year. The costs of managing the authority are a direct charge to corporate management. Office costs are recharged based on the floor area of each office. The administration and audit costs of the pension fund are charged to that fund.

Property, Plant and Equipment

Recognition: Our spending on buying, creating or improving fixed assets is classed as capital spending provided it benefits the council and its services for a period of more than a year. Expenditure to improve or provide structural repairs is capitalised, whereas works to maintain the current service level of an asset are not. Spending on fixed assets is recorded in our accounts when the work has been carried out or when the asset has been delivered to us, rather than when we actually pay for it. All assets are initially recorded in our accounts at

historic cost. Expenditure which does not provide a significant benefit in terms of value, asset life, or service performance or which falls below our deminimus level of £6,000 is charged to the Council's revenue account in full in the year it occurs.

Measurement: Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our own qualified members of the Royal Institution of Chartered Surveyors carry out valuations alongside any external valuers appointed by the Council.

The closing balances on 31 March 2011 were valued in the following ways.

~ Land and buildings are included in the balance sheet at their open-market value based on their existing use. However, where there is insufficient market valuation evidence some land and buildings, for example schools, are included in the balance sheet at a depreciated replacement cost. Surplus assets which are not likely to be disposed of in the next twelve months are valued as their previous use.

~ We have included assets that we do not use in our day-to-day work, including investment properties and assets we intend to sell within the next twelve months, in the balance sheet at their open-market value. These assets are revalued every year.

~ We have included infrastructure assets, such as roads, roundabouts, bridges and community assets, vehicles and equipment in the balance sheet at the amount they cost when we bought them less an annual charge for depreciation. These assets are valued in this way because there is no meaningful market data available to calculate an existing use value.

We revalue all those fixed assets which are held at a value other than depreciated historic cost, at least once every five years. In 2008/2009 the council carried out a full revaluation of all its land and building assets. All revaluations in 2010/2011 have been carried out by Council RICS qualified staff. We have adjusted for any major changes to the value of assets as they happen, whether due to events affecting groups of assets or single assets, and we review the need to revalue any asset where there has been more than £0.250 million spend each year. When assets are revalued, if they are worth more than we paid for them, we add the difference to the Revaluation Reserve.

Impairments: If the value goes down across a group of assets for the same reason, we regard this as a revaluation loss. If events occur which lead to an individual asset's value reducing, we regard this as an impairment loss. Both types of loss are charged to any Revaluation Reserve balance held for that asset, up to the balance available, with the remainder being charged to the Comprehensive Income and Expenditure Account. This charge is then reversed out in the Movement in Reserves Statement so that there is no impact on Council Tax.

Provisions

We put amounts of money aside to meet specific service payments. For these to count as provisions, they need to pass three tests.

- They must be the result of a past event.
- The amount must be a reliable estimate.

- There must be a clear responsibility to make this future payment because of the past event.

Provisions are charged to the appropriate service revenue account when the authority becomes aware that it is probable a payment will be required. The provision is based on the best estimate of the likely settlement. When payments are made they are charged to the provision already set up in the balance sheet.

Reserves

We keep reserves to pay for spending on projects we will carry out in future years, and to protect us against unexpected events. Reserves include ‘earmarked reserves’ which we set aside for certain policy purposes and other general reserves which represent resources set aside for purposes such as general events and managing our cash flow. By law, schools are entitled to keep any of their budgets they have not spent. These amounts are shown separately from other reserves.

Earmarked Reserves are created by appropriating amounts in the Movement in Reserves Statement (MIRS). When expenditure is financed from an earmarked reserve, the expenditure itself is charged to the appropriate service revenue account. The reserve is then appropriated back to the general fund via the MIRS so that there is no net charge against council tax.

The system of capital accounting has meant we also have to include these other accounts/reserves in the balance sheet.

Revaluation Reserve	~	The reserve contains gains since 1 April 2007 from the revaluation of assets. Changes in the value of individual assets increase or reduce the balance. The reserve cannot be negative in terms of the balance linked to an individual asset.
Capital Adjustment Account	~	The account is made up from amounts we have set aside from day-to-day spending or capital receipts and other funding sources to pay for fixed assets or to repay loans. The account also includes the net book value of assets we have sold.
Financial Instruments Adjustment Account	~	This holds the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.
Available for Sale Financial Instruments Reserve	~	This reserve holds unrecognised gains resulting from changes in the fair value of available for sale financial instruments.

We also keep a separate reserve to hold unused cash we receive from selling fixed assets. This is described in the balance sheet as the ‘capital receipts reserve’.

We hold capital grants and contributions we receive (or are due to receive) which are not used to pay for capital spending in the year in a reserve called ‘Capital Grants Unapplied’.

We are required to maintain a ‘Collection Fund Adjustment Account’ which holds the difference between the amount required to be shown in the Comprehensive Income and Expenditure

Account for Council Tax and that required by legislation to be taken against the General Fund (the cash received from billing authorities).

As a result of accounting for employment benefits under IAS19 we have to accrue for post employment benefits such as annual leave earned but untaken at the year end. Since we are required to account for this cost in the Comprehensive Income and Expenditure Account but we are not required to account for it under legislation from the General Fund in the Year, the amount we assess as such will be reversed in the Movement in Reserves Statement to The Compensated Absences Reserve so as not to affect the level of Council Tax.

Revenue Expenditure Funded From Capital Under Statute (previously known as deferred charges)

Not all our services are provided in buildings we own. For example, foundation schools own their own assets. Any money we spend on these assets must be charged to the income and expenditure account but is funded from capital resources not Council Tax. To make sure that the Council Tax is not affected, we then make an adjustment equal to the total to reverse this and charge it to the Capital Adjustment Account.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

We are subject to Partial Exemption. However, as long as the VAT that we claim on purchases used to generate exempt incomes is less than 5% of all VAT claimed on purchases in the year, then we can claim all our VAT back in full.

The Pension Fund

We manage four different pension schemes to meet our employees' needs. All four schemes provide members with pensions and other benefits that are related to their pay and length of service. The pension schemes are as follows.

Teachers	~	The Department for Education runs this scheme and sets the rate of contributions we must pay.
Uniformed firefighters	~	Our actual costs each year represent an employer's contribution rate towards the costs of pensions as well as costs of early retirements and injury awards for the year.
Uniformed Firefighters Injury Awards	~	Our actual costs for the year represent the on-going cost of the proportion of firefighters pension that relates to an injury incurred when in service.
Other employees	~	Other employees automatically join the Local Government Pension Scheme (LGPS), unless they make a decision to opt out of the scheme.

The pension costs included in the accounts for these schemes have been worked out in line with relevant government regulations. As well as the contribution we pay for employees, we

must also show the extra costs of pensions decisions we have made in the current year, no matter when we will actually pay the financial cost.

We have prepared the pension accounts in line with CIPFA's code of practice, so we prepare the pension accounts on an 'accruals basis' (that is, items are included in the year they relate to), except for transfer values, which are accounted for on a 'cash basis' (that is, items are included in the year in which they are made).

Teachers' discretionary benefits

We pay the basic retirement and superannuation benefits of retired teachers out of money provided by the Government. However, we pay any extra added years of benefits and early retirement costs to pensioners. Under IAS19 (previously under FRS 17) the benefits we pay are classed as defined benefits so in our accounts we need to show the extra costs of pension decisions we have made in the current year, no matter when we will actually pay these costs.

As a result, the closing balance sheet for 2010/2011 includes a pensions liability of £42.0 million, balanced by a pensions reserve of the same value. This shows that the charge against Council Tax reflects the actual cash paid in the year.

Charges to service revenue accounts are based on a share of current service costs (the increase in future benefits arising from service earned in the current year).

The projected cost of discretionary awards (as past service costs) are charged to non-distributed costs in the year the award decision is made. These two items have reduced our net spending by £5.3 million.

Extra items for interest costs and expected return on assets are shown in the income and expenditure account. This has increased net spending by £2.4 million.

However, under IAS19 we must show current service costs, past service costs, interest costs and expected return on assets in the Comprehensive Income and Expenditure Statement, but this does not affect the amount that Council Tax payers have to pay because we transfer these entries to the Pension Reserve and replace them with the employers' contributions paid and due by 31 March 2011.

When we assessed our liabilities for retirement benefits as at 31 March 2011 we used a rate based on the current rate of return on a high-quality corporate bond in the same currency and for the same length of time as the scheme's liabilities. The actuary has advised that the rate of 2.6% real (5.4% actual) is appropriate (2.3% real and 5.5% actual for 2009/2010). The actuary has adjusted the real rate to allow for inflation. Applying this rate has resulted in a decrease in our liabilities, measured at today's prices, of £1.3 million. We have included this amount in the increase in actuarial losses recognised for the year in note 24 in the notes to the core financial statements on page 67.

Unfunded scheme (Firefighters' Pension Scheme)

Following the introduction of FRS 17 (now IAS 19) retirement benefits principles, our accounting policies for retirement costs changed dramatically in 2003/2004. In previous years, we treated the cost of pensions as the amounts we paid to retired officers and amounts due but not paid by 31 March.

This policy recognises how much retirement benefits will cost us when we agree to pay them, even if this is many years in the future. Also, we take account of any finance costs and changes in fund assets and liabilities in the year they happen. As a result, the closing balance sheet for 2010/2011 includes a pensions liability of £166.3 million, balanced by a Pension Reserve of the same value. This shows that the charge against Council Tax reflects the actual cash paid in the year.

Charges to the service revenue accounts are now based on a share of current service costs (the increase in future benefits arising from service earned in the current year) rather than the employer's contribution.

The projected costs of discretionary awards are charged (as past service costs) to non-distributed costs in the year we decide to award the benefits.

These two items have reduced our net spending by £19.9 million.

Extra items for interest costs and expected return on assets are shown in the income and expenditure account. This increased our net spending by £9.7 million.

However, although under IAS 19 we must show current service costs, past service costs, interest costs and expected return on assets in the income and expenditure account, this does not affect the amount that Council Tax payers have to pay because we transfer these entries to the Pension Reserve and replace them with the employer's contributions paid and due by 31 March. We have to pay the employer's contribution and the cost of ill-health, retirements to the Firefighters' Pension Fund towards funding of firefighters' pension benefits. The balance is funded from government grant.

When we assessed our liabilities for retirement benefits as at 31 March 2011 for the 2010/2011 statement of accounts, we used a rate based on the current rate of return on a high-quality corporate bond in the same currency and for the same length of time as the scheme's liabilities. The actuary has advised us that the rate of 1.8% real and 5.8% actual is appropriate (1.9% real and 5.8% actual for 2009/2010). The actuary has adjusted the real rate to allow for inflation. Applying this rate has resulted in a decrease in our liabilities, measured at today's prices, of £4.5 million. We have included this amount in the increase in actuarial losses recognised for the year in 24 of the notes to the core financial statements on page 67.

Unfunded scheme – Firefighters Injury Awards Scheme

Following the introduction of IAS 19 we now show the cost of future retirement benefits that specifically relate to injuries. This liability had previously been omitted from the firefighters liability as it is payable whether the firefighter is a member of the pension scheme or not.

This policy recognises how much retirement benefits will cost us when we agree to pay them, even if this is many years in the future. Also, we take account of any finance costs and changes in fund assets and liabilities in the year they happen. As a result, the closing balance sheet for 2010/2011 includes a pensions liability of £16.9 million, balanced by a Pension Reserve of the same value. This shows that the charge against Council Tax reflects the actual cash paid in the year.
Charges to the service revenue accounts are now based on a share of current service costs (the increase in future benefits arising from service earned in the current year) rather than the employer's contribution.

The projected costs of discretionary awards are charged (as past service costs) to non-distributed costs in the year we decide to award the benefits.

These two items have reduced our net spending by £2.3 million.

Extra items for interest costs are shown in the income and expenditure account. This increased our net spending by £1.0 million.

However, although under IAS 19 we must show current service costs, past service costs, interest costs and expected return on assets in the income and expenditure account, this does not affect the amount that Council Tax payers have to pay because we transfer these entries to the Pension Reserve.

When we assessed our liabilities for retirement benefits as at 31 March 2011 for the 2010/2011 statement of accounts, we used a rate based on the current rate of return on a high-quality corporate bond in the same currency and for the same length of time as the scheme's liabilities. The actuary has advised us that the rate of 1.8% real and 5.7% actual is appropriate (1.9% real and 5.8% actual for 2009/2010). The actuary has adjusted the real rate to allow for inflation. Applying this rate has resulted in an decrease in our liabilities, measured at today's prices, of £0.5 million. We have included this amount in the increase in actuarial losses recognised for the year in note 24 of the notes to the core financial statements on page 67.

Funded scheme – LGPS (other employees)

Under IAS 19 (previously FRS 17), we must show how much retirement benefits will cost us when we agree to pay them, even if this is many years in the future. Also, we take account of any finance costs and changes in fund assets and liabilities in the year they happen. As a result, the closing balance sheet as at 31 March 2011 includes a pension liability of £236.3 million, balanced by a Pension Reserve of the same value. This shows that the charge against Council Tax reflects the actual cash paid in the year.

Charges to service revenue accounts are now based on a share of current service costs (the increase in future benefits arising from service earned in the current year) rather than the employer's contributions.

The projected costs of discretionary awards are charged (as past service costs) to non-distributed costs in the year we decide to award the benefits.

These two items have decreased our total net spending by £49.9 million.

Extra items for interest costs and expected return on assets are shown in the income and expenditure account. This increased our total net spending by £14.7 million.

However, although under IAS19 we must show current service costs, past service costs, interest costs and expected return on assets in the income and expenditure account, this does not affect the amount that Council Tax payers have to pay because we transfer these entries to the Pension Reserve and replace them with the employer's contributions paid and due by 31 March.

When we assessed our liabilities for retirement benefits as at 31 March 2011 for the 2010/2011 statement of accounts, we used a rate based on the current rate of return on a

high-quality corporate bond in the same currency and for the same length of time as the scheme's liabilities. The actuary has advised that the rate of 2.1% real (5.5% actual) is appropriate (2.3% real and 5.6% actual in 2009/2010). The actuary has adjusted the real rate to allow for inflation. Applying this rate has resulted in a decrease in our liabilities, measured at today's prices, of £38.0 million. We have included this amount in the increase in actuarial losses recognised for the year in note 24 in the notes to the core financial statements on page 67.

The provisions of the Local Government Pension Scheme were changed by the introduction of the Local Government Pension Scheme (Amendment) Regulations 2006. The change allows members to take a higher lump sum than the standard 3/80 by commutating (see glossary) part of their pension.

It costs less for the scheme to provide the lump sum than the yearly pension, so if some members choose to take a higher lump sum, this will reduce the employers' pension costs. Our actuary has made allowances for this on the assumption that 50% of members will take up the option to increase their lump sum to the highest level available. The 50% assumption is an estimate, but is consistent with the basis on which the possible cost savings have so far been estimated.

Tiered contribution rates for employees and changes in retirement benefits and requirements were introduced from 1 April 2008. This meant that members on higher salaries paid a higher contribution rate.

Income from selling fixed assets

We use the income from selling fixed assets (buildings, vehicles and land) to meet part of the cost of new capital spending or to repay borrowing. Any of this money that we have not used by the end of the year is recorded in the balance sheet as the 'capital receipts reserve'. We show the gain or loss on the sale of assets in the income and expenditure account. This relates to the difference between the sale proceeds and the carrying value of an asset after allowing for costs relating to the sale of the asset. We take all costs of disposal incurred in a year to the income and expenditure account, regardless of whether all the proceeds of the related sale have been received yet, in order to ensure we account for all the revenue costs in the year they occur.

The carrying value of the asset (the net book value after depreciation transferred to the Capital Adjustment Account) and the sale proceeds (transferred from the Capital Receipts Reserve) are also shown as reversing entries in the Movement in Reserves Statement as these do not directly affect the level of Council Tax through restrictions on the use of capital receipts.

Depreciation

All assets with a limited useful life, such as vehicles and buildings, are reduced in value according to the following policies. This reduction in value is called depreciation. We charge depreciation cost on buildings over our valuers' estimate of their useful economic life (between 10 and 62 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 12 years for vehicles and between 3 and 25 years for equipment). The depreciation charge is to cover the economic usage of the asset.

~ Our new assets begin to fall in value from the start of the next financial year after

they have been bought. New assets that are being built do not start to fall in value until they are finished and ready to be used. Assets or projects with incomplete spend are classified as Assets Under Construction on the balance sheet and are recorded at historic cost.

~ An asset's value falls on a straight-line basis throughout its useful economic life with a constant proportion of the asset's gross value being deducted every year. If the gross value of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year.

~ We charge depreciation on buildings as a single asset. However, if we determine that the costs of likely refurbishments of major components within an asset are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the useful economic life of the whole asset is reduced to reflect this.

We do not charge depreciation on land we own, as it does not have a limited useful life, nor on investments properties or assets held for sale. As part of the revaluation of the Council's land and buildings estate in 2008/2009, valuers supplied new estimates of these assets' useful economic lives. These estimates were reflected in the depreciation charges for 2010/2011.

Charges to revenue

We charge services for all the fixed assets they use to provide their services. The charge covers depreciation of those assets.

Amounts set aside from revenue for repaying loans to pay for capital spending, or as transfers to other reserves, are shown separately in the Movement in Reserves Statement. The total spending on services shows costs relating to:

- capital spending which did not lead to an increase in the value of the asset, including spending on items less than £6,000;
- assets which have been impaired as above;
- revenue spending funding from capital under statute (see below); and
- capital grants used to fund revenue spending funded from capital under statute.

Repaying debts – Minimum Revenue Provision (MRP)

MRP is the amount we must set aside each year to repay debts. We have decided not to use any of the options outlined in the statutory guidance (Local Authorities (Capital Finance and Accounting) (England) Regulations 2008) but to adopt an alternative approach, which we believe is prudent.

The MRP provision is calculated on the average remaining useful life of the Council's asset portfolio. We calculate and apply the remaining useful life over two categories of assets:

Land, buildings and infrastructure
Vehicles, plant and equipment

The proportion of debt outstanding in each category of asset is determined by the value of assets included in the balance sheet at the end of each financial year. For land, buildings and infrastructure the average useful life is calculated every five years, in line with our policy on revaluing assets e.g. 20 years average remaining life will result in a 5% straight line MRP. For

vehicles, plant and equipment the remaining useful life is assumed to be 5 years e.g. 5 years average remaining useful life will result 20% straight line MRP.

Inventories/Stocks

The Highway Department's stocks are valued at the cost of replacing them. Other stocks are valued at the cost we paid for them. These methods of valuing stocks are different from the methods set out by the CIPFA code. This does not have a major effect on the financial statements.

Private Finance Initiative (PFI) and similar contracts

Any contracts made under PFI arrangements and similar long term contracts have been assessed and treated accordingly under International Financial Reporting Standards and IFRIC 12 as required by the Code 2010. This was a requirement under the SORP 2009 and was audited as part of the audit of the 2009/2010 accounts. As a result of those assessments and conclusions no assets were required to be added to our Balance Sheet.

Statement of responsibilities for the statement of accounts

This section explains our responsibilities, in line with the Accounts and Audit Regulations 2003, for our financial affairs and how we make sure we carry out these responsibilities properly.

The authority's responsibilities

We must do the following.

~ Make sure that one of our officers is responsible for managing our financial affairs. In this council, the County Treasurer is responsible for doing this.

~ Manage our affairs to use our resources efficiently and effectively and to protect our assets.

~ Approve the statement of accounts.

Responsibilities of the County Treasurer

As the County Treasurer, I am responsible for preparing our statement of accounts. These accounts must present a true and fair view of our financial position, including our income and spending for the year.

In preparing both our statement of accounts and the Pension Fund, I have:

~ selected suitable accounting policies and applied them consistently;

~ made reasonable and prudent judgements and estimates; and

~ followed the Chartered Institute of Public Finance and Accountancy's/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

I have also:

~ kept proper accounting records which are up to date; and

~ taken steps to prevent and detect fraud, including preparing an audit risk management strategy.

John Betts
County Treasurer **Date: 30 June 2011**

I confirm that the accounts were considered and approved at a meeting of the Council on XX XXXX 2011.

Councillor Phillip Morris-Jones
Chair of the County Council **Date:**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The next increase or decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	(a)	(b)	(c)	(d)	(d)	(e)	(f)	(g)
Movement in Reserves Statement - 2009/2010	**General Fund £ millions**	**Earmarked Reserves £ millions**	**Capital Fund £ millions**	**Capital Receipts Reserve £ millions**	**Capital Grants Unapplied Reserve £ millions**	**Total Usable Reserves £ millions**	**Unusable Reserves £ millions**	**Total Authority Reserves £ millions**
Balance at 31 March 2009 (Restated)	**8.9**	**37.6**	**0.3**	**0.0**	**4.5**	**51.3**	**437.3**	**488.6**
Movement In Reserves During 2009/2010								
Surplus or (deficit) on provision of services (accounting basis)	-26.2	0.0	0.0	0.0	0.0	**-26.2**	0.0	**-26.2**
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	0.0	**0.0**	-157.0	**-157.0**
Total Comprehensive Income and Expenditure	**-26.2**	**0.0**	**0.0**	**0.0**	**0.0**	**-26.2**	**-157.0**	**-183.2**
Adjustments between accounting basis & funding basis under regulations (Note 7)	32.6	0.0	-0.2	0.0	2.1	34.5	-34.5	**0.0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**6.4**	**0.0**	**-0.2**	**0.0**	**2.1**	**8.3**	**-191.5**	**-183.2**
Transfers to / from Earmarked Reserves (Note 8)	-7.1	7.1	0.0	0.0	0.0	0.0	0.0	**0.0**
Increase / Decrease in Year	**-0.7**	**7.1**	**-0.2**	**0.0**	**2.1**	**8.3**	**-191.5**	**-183.2**
Balance at 31 March 2010	**8.2**	**44.7**	**0.1**	**0.0**	**6.6**	**59.6**	**245.8**	**305.4**

Movement in Reserves Statement - 2010/2011	(a) General Fund £ millions	(b) Ear-marked Reserves £ millions	(c) Capital Fund £ millions	(d) Capital Receipts Reserve £ millions	(d) Capital Grants Unapplied Reserve £ millions	(e) Total Usable Reserves £ millions	(f) Unusable Reserves £ millions	(g) Total Authority Reserves £ millions
Balance at 31 March 2010 (Restated)	**8.2**	**44.7**	**0.1**	**0.0**	**6.6**	**59.6**	**245.8**	**305.4**
Movement In Reserves During 2010/2011								
Surplus or (deficit) on provision of services (accounting basis)	56.4	0.0	0.0	0.0	0.0	**56.4**	0.0	**56.4**
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	0.0	**0.0**	72.9	**72.9**
Total Comprehensive Income and Expenditure	**56.4**	**0.0**	**0.0**	**0.0**	**0.0**	**56.4**	**72.9**	**129.3**
Adjustments between accounting basis & funding basis under regulations (Note 7)	-43.6	0.0	0.0	0.0	5.2	-38.4	38.4	**0.0**
Net Increase / Decrease before Transfers to Earmarked Reserves	**12.8**	**0.0**	**0.0**	**0.0**	**5.2**	**18.0**	**111.3**	**129.3**
Transfers to / from Earmarked Reserves (Note 8)	-8.5	8.5	0.1	0.0	0.0	0.1	-0.1	**0.0**
Increase / Decrease in Year	**4.3**	**8.5**	**0.1**	**0.0**	**5.2**	**18.1**	**111.2**	**129.3**
Balance at 31 March 2011	**12.5**	**53.2**	**0.2**	**0.0**	**11.8**	**77.7**	**357.0**	**434.7**

None of the general fund balance held is for schools as they hold a separate earmarked reserve (see note 8).

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with the regulations. This may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This section summarises our spending on services and where we got the money from.

2009/2010 gross spending £millions	2009/2010 income £millions	2009/2010 net spending £millions	Summary of revenue spending	2010/2011 gross spending £millions	2010/2011 income £millions	2010/2011 net spending £millions
			Money spent on services			
17.5	-3.3	14.2	~ cultural and other related services	17.5	-3.5	14.0
25.2	-4.1	21.1	~ environmental and regulatory services	25.5	-3.5	22.0
12.2	-3.3	8.9	~ planning and development services	8.5	-3.5	5.0
520.6	-412.6	108.0	~ children's and education services	547.1	-435.8	111.3
24.9	-0.5	24.4	~ fire and rescue services	25.5	-0.8	24.8
54.0	-14.7	39.3	~ highways, roads and transport services	55.4	-19.1	36.3
175.2	-37.9	137.3	~ adult social care	183.2	-50.0	133.2
0.2	-0.1	0.1	~ other housing services (gypsy sites)	0.3	-0.2	0.1
0.8	-0.3	0.5	~ court services	0.5	-0.3	0.2
1.9	-1.0	0.9	~ central services to the public	2.1	-1.3	0.8
6.6	0.0	6.6	~ corporate and democratic core (see note 56)	5.1	-0.1	5.0
2.0	0.0	2.0	~ non distributed costs (see note 57)	-72.9	0.0	-72.9
3.7	-3.7	0.0	~ other services	3.5	-3.5	0.0
844.8	**-481.5**	**363.3**	**Net cost of services**	**801.4**	**-521.6**	**279.8**
12.7		12.7	~ Other operating expenditure (Note 9)	14.7	0.0	14.7
54.9	-11.8	43.1	~ Financing and Investment Income and Expenditure (Note 10)	58.5	-12.4	46.1
	-392.9	-392.9	~ Taxation and non-specific grant income (Note 11)	0.0	-397.0	-397.0
912.4	**-886.2**	**26.2**	**(Surplus) or Deficit on Provision of Services**	**874.6**	**-931.0**	**-56.4**
	-1.2	-1.2	~ Surplus (-) or Deficit on revaluation of Property, Plant & Equipment Assets	0.0	-2.8	-2.8
0.6		0.6	~ Surplus (-) or Deficit on revaluation of available for sale financial assets	0.0	-0.1	-0.1
157.6		157.6	~ Actuarial gains (-)/losses on pension assets/liabilities	0.0	-70.0	-70.0
158.2	**-1.2**	**157.0**	**Other Comprehensive Income and Expenditure**	**0.0**	**-72.9**	**-72.9**
1070.6	**-887.4**	**183.2**	**Total Comprehensive Income and Expenditure**	**874.6**	**-1003.9**	**-129.3**

Balance Sheet as at 31 March 2011

The balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and the statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation reserve, where amounts would only become available to provide services if the assets are sold) and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘adjustments between accounting basis and funding basis under regulations’.

Restated 2010 £ millions	BALANCE SHEET AS AT 31ST MARCH	£ millions	2011 £ millions	Notes
	Property, Plant & Equipment			
377.1	~ land		353.7	
433.1	~ buildings		440.5	
20.3	~ vehicles, machinery, furniture and equipment		23.4	
220.4	~ roads and bridges (infrastructure)		311.3	
2.2	~ country parks & open spaces (community Assets)		2.1	
3.1	~ surplus assets		3.4	
104.3	~ assets under construction		19.3	
1,160.5	**Total Property, Plant & Equipment**		1,153.7	**12**
0.0	Assets Held For Sale		0.0	
19.4	Investment Property		38.4	**13**
0.5	Intangible assets		1.8	**14**
1,180.4	**Total fixed assets**		1,193.9	
0.5	Long-term Investments		0.6	
1.1	Long-term Debtors		0.3	**18**
1,182.0	**Total long-term assets**		**1,194.8**	
	Current assets			
45.6	Short Term Investments	57.7		
0.6	Inventories	0.6		**16**
40.5	Short Term Debtors	61.8		**18**
60.8	Cash and Cash Equivalents	68.0		**19**
11.6	Assets Held for Sale	7.5		**20**
1.3	Landfill Allowances Asset Account	0.8		
160.4			196.4	
	Current liabilities			
-2.1	Provisions (settlement within 12 months)	-4.7		**22**
-4.0	Short-term Borrowing	0.0		
-87.0	Short Term Creditors	-87.6		**21**
-93.1			-92.3	
67.3	**Current assets less current liabilities**		**104.1**	
-0.1	Provisions (settlement over 12 months)		-2.1	**22**
-331.7	Long-term Borrowing (Loans)		-371.7	
0.0	Long Term Creditors		-1.2	**21**
-30.6	Capital Grants Received In Advance		-27.4	**38**
0.0	Donated Assets Account		0.0	
	Other Long Term Liabilities			
-0.4	~ Finance Lease Liability		-0.3	
-581.1	~ Liability related to defined benefit pension scheme		-461.5	**24**
-943.9	**Long-term liabilities**		**-864.2**	
305.4	**Net assets**		**434.7**	

Restated 2010 £ millions	BALANCE SHEET AS AT 31ST MARCH	£ millions	2011 £ millions	Notes
	Balance Sheet as at 31 March			
	Usable Reserves			
8.2	The General Reserve		12.5	23
44.7	Earmarked Reserves		53.2	23
0.1	The Capital Fund		0.2	23
0.0	Capital Receipts Reserve		0.0	23
6.6	Capital Grants Unapplied Reserve		11.8	23
59.6	**Total Usable Reserves**		**77.7**	
	Unusable Reserves			
175.5	Revaluation Reserve		171.5	24
658.5	Capital Adjustment Account		655.6	24
0.7	Financial Instruments Adjustment Account		0.6	24
0.5	Available for Sale Financial Instruments Reserve		0.6	24
-8.8	Compensated Absences Reserve		-11.0	24
0.5	Collection Fund Adjustment Reserve		1.2	24
-581.1	Pension Reserve		-461.5	24
245.8	**Total Unusable Reserves**		**357.0**	
305.4	**Total Reserves**		**434.7**	

Under the IFRS based code we are required to show a third Balance Sheet as at 1 April 2009 in a transitional year and any subsequent year in which an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. The Restated Balance Sheet at 1 April 2009 is shown below.

Restated 2009 £ millions	BALANCE SHEET AS AT 31ST MARCH	£ millions	Restated 2010 £ millions	Notes
	Property, Plant & Equipment			
381.7	~ land		377.1	
432.2	~ buildings		433.1	
20.0	~ vehicles, machinery, furniture and equipment		20.3	
195.4	~ roads and bridges (infrastructure)		220.4	
2.1	~ country parks & open spaces(community Assets)		2.2	
0.0	~ surplus assets		3.1	
115.3	~ assets under construction		104.3	
1,146.7	**Total Property, Plant & Equipment**		1,160.5	**12**
0.0	Assets Held For Sale		0.0	
26.2	Investment Property		19.4	**13**
0.5	Intangible assets		0.5	**14**
1,173.4	**Total fixed assets**		1,180.4	
1.1	Long-term Investments		0.5	
3.5	Long-term Debtors		1.1	**18**
1,178.0	**Total long-term assets**		**1,182.0**	
	Current assets			
58.7	Short Term Investments	45.6		
0.7	Inventories	0.6		**16**
50.6	Short Term Debtors	40.5		**18**
33.1	Cash and Cash Equivalents	60.8		**19**
3.9	Assets Held for Sale	11.6		**20**
0.0	Landfill Allowances Asset Account	1.3		
147.0			160.4	
	Current liabilities			
-2.4	Provisions (settlement within 12 months)	-2.1		**22**
0.0	Short-term Borrowing	-4.0		
-90.7	Short Term Creditors	-87.0		**21**
-93.1			-93.1	
53.9	**Current assets less current liabilities**		**67.3**	
-0.6	Provisions (settlement over 12 months)		-0.1	**22**
-305.8	Long-term Borrowing (Loans)		-331.7	
0.0	Long Term Creditors		0.0	**21**
-35.4	Capital Grants Received In Advance		-30.6	**38**
0.0	Donated Assets Account		0.0	
	Other Long Term Liabilities			
-0.5	~ Finance Lease Liability		-0.4	
-401.0	~ Liability related to defined benefit pension scheme		-581.1	**24**
-743.3	**Long-term liabilities**		**-943.9**	
488.6	**Net assets**		**305.4**	

Restated 2009 £ millions	BALANCE SHEET AS AT 31ST MARCH	£ millions	Restated 2010 £ millions	Notes
	Balance Sheet as at 31 March			
	Usable Reserves			
8.9	The General Reserve		8.2	**23**
37.6	Earmarked Reserves		44.7	**23**
0.3	The Capital Fund		0.1	**23**
0	Capital Receipts Reserve		0.0	**23**
4.5	Capital Grants Unapplied Reserve		6.6	**23**
51.3	**Total Usable Reserves**		**59.6**	
	Unusable Reserves			
182.0	Revaluation Reserve		175.5	**24**
665.6	Capital Adjustment Account		658.5	**24**
0.8	Financial Instruments Adjustment Account		0.7	**24**
1.1	Available for Sale Financial Instruments Reserve		0.5	**24**
-10.8	Compensated Absences Reserve		-8.8	**24**
-0.4	Collection Fund Adjustment Reserve		0.5	**24**
-401.0	Pension Reserve		-581.1	**24**
437.3	**Total Unusable Reserves**		**245.8**	
488.6	**Total Reserves**		**305.4**	

John Betts
County Treasurer

Cash-flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generate and uses cash and cash equivalents by classifying cash flow as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

This section shows our income and spending for the year.

Year ended 31 March 2010 Restated £ millions	Cash Flow	Year ended 31 March 2011 £ millions
26.2	Net (surplus) or deficit on the provision of services	-56.4
-11.8	Adjust net surplus or deficit on the provision of services for noncash movements	62.5
13.3	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14.9
27.7	**Net cash flows from Operating Activities**	**21.0**
-42.1	Investing Activities	-37.7
42.1	Financing Activities	23.9
27.7	**Net increase or decrease in cash and cash equivalents**	**7.2**

Year ended 31 March 2010 Restated £ millions	Reconciliation to Movement in Cash and Cash Equivalents	Year ended 31 March 2011 £ millions
33.1	Cash and cash equivalents at the beginning of the reporting period	60.8
60.8	Cash and cash equivalents at the end of the reporting period	68.0
27.7	**Movement in Cash and Cash Equivalents**	**7.2**

There was an increase of £7.2 million in cash and cash equivalents in the year ending 31 March 2011.

Note 1 Accounting Policies

A full list of accounting policies adopted by the authority in the presentation of these financial statements is shown in pages 15 to 28. The major change in accounting policies is a result of the introduction of the International Financial Accounting Standards (IFRS). These standards have to be applied retrospectively in most cases i.e. as if we had always accounted that way in relation to a specified item or group of items. The major changes include the reclassification of assets and the way they are valued and accounted for in the Comprehensive Income and Expenditure Statement and Balance Sheet accounts, the accounting treatment of grants and contributions, changes to the format of the primary financial statements, accounting for employment benefits and new and/or amended accounting disclosures etc.

Note 2 Accounting Standards that have been Issued but Have not Yet Been Adopted.

Financial Reporting Standards (FRS) and International Public Sector Reporting Standards (IPSAS).

Under the Code we are required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The application of FRS30 Heritage Assets has been deferred for local authorities until 2011/2012 which will include a number of new disclosure requirements.

Heritage Assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. It is intended that they are preserved in trust for future generations because of their cultural, environmental and historical associations. They include historic motor vehicles, civic regalia, gallery collections and works of art.

Warwickshire County Council has a number of museums which contain collections of archaeological, geological, social and natural history artefacts and documents which are of significant historical and cultural importance. In addition to this the County Records Office stores, preserves and makes available to the public historical documents dating back to the 12th Century.

At present it is expected the 2011/2012 adoption of FRS 30 for tangible heritage assets and IPSAS 31 for intangible heritage assets will not create any significant changes to our accounts.

It is unlikely we will be able to obtain a value for the documents in the County Records Office. The reason for this is the nature of the assets which are one off historical documents, this makes them simultaneously priceless and yet with no intrinsic value. It is also very costly and time consuming to obtain such valuations, so no accurate information is likely to be available.

The Waller of Woodcote archive collection of family and estate letters and deeds providing an insight into Warwickshire life from the 12th Century has been included as an asset at a cost value of £168,951 since acquisition in 2007/2008. The inclusion of this archive with the newly identified heritage assets will not result in any changes to depreciation.

For our Museums Service the insurance valuation for 2010/2011 for our previously undisclosed heritage assets is £1,494,140 and this will be reported on an ongoing basis under the 2011/2012 Code.

Since any assets which will be disclosed have not been previously identified in our accounts, and heritage assets do not require depreciation to be charged against them, there will be no changes to depreciation as a result of the adoption of FRS 30 and IPSAS 31. Any impairments will be on an ongoing basis as a result of information on individual assets from the Heritage and Culture service.

Note 3 Critical Judgements In Applying Accounting Policies

In applying the accounting policies set out on pages 15 to 29, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:-

- There is a high degree of uncertainty about future levels of funding for local government. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances can not be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:-

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority can not be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £1.6 million for every year that useful lives are reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate, in isolation, would result in a decrease in the pension liability of £81.335 million. During 2010/2011, the actuaries advised that the net

		pensions liability has decreased by £56.748 million as a result of estimates being corrected, experience losses and updating of the assumptions.

Note 5 Material items of Income and Expense

During 2010/11, we have recorded a total loss on the disposal of fixed assets of £14.495 million, including Polesworth High School at £11.342 million and Henley in Arden Primary School at £2.996 million. Polesworth High School became an Academy and Henley in Arden Primary became a Voluntary Aided Church of England School. The effect of both of these changes is that we had to transfer ownership of the assets to a third party at nil cost.

Note 6 Events After the Balance Sheet Date

<u>Academies</u>

As a result of the Government's white paper 'The importance of Teaching', which allows Schools to opt out of Local Government control by becoming Academies, Warwickshire County Council is expecting a number of schools to take up the new status.

During 2010/11 two schools became Academies. The Nuneaton Academy was established in North Warwickshire after the amalgamation of Alderman Smith and Manor Park Schools on the 1st September 2010.

In addition to this on the 1st February 2011 Polesworth School became an academy.

A total of 16 schools have applied to the Department for Education to convert to Academy status after 1st April 2011. This is based on information as at 10th May 2011.

The significance of the conversion from Community school to academy is that the value of the buildings and any vehicles, plant and equipment will be removed from the balance sheet of the County Council at the date of conversion.

For schools which were previously Voluntary Aided and Voluntary Controlled Schools we currently only carry the value of Vehicles, Plant and Equipment and playing fields in our balance sheet and these will be derecognised from the date of the change.

For Foundation and Trust schools the change to Academy status will not represent a change to our treatment in the Accounts because under the IFRS Code we do not hold the value of assets at these schools on our balance sheet.

The value of the derecognition of the schools converting to academy status will be in the region of £160 million.

Note 7 Adjustments Between Accounting Basis and Funding Basis Under Regulations

Adjustments Between Accounting Basis and Funding Basis Under Regulations - 2010-2011	General Fund Balance £millions	Earmarked Reserves £millions	Capital Fund £millions	Capital Receipts Reserve £millions	Capital Grants Unapplied £millions	Movement in Unusable Reserves net spending £millions
Adjustments primarily involving the Capital Adjustment Account						
- Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
~ Charges for depreciation and impairment of non-current assets	42.3	0.0	0.0	0.0	0.0	-42.3
~ Revaluation losses on Property, Plant & Equipment	0.0	0.0	0.0	0.0	0.0	0.0
~ Movements in the market value of Investment Properties	1.8	0.0	0.0	0.0	0.0	-1.8
~ Amortisation of intangible assets	0.2	0.0	0.0	0.0	0.0	-0.2
~ Capital Grants and Contributions applied	-44.7	0.0	0.0	0.0	0.0	44.7
~ Movement in the Donated Assets Account	0.0	0.0	0.0	0.0	0.0	0.0
~ Revenue expenditure funded from capital under statute	17.9	0.0	0.0	0.0	0.0	-17.9
~ Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	15.0	0.0	0.0	0.0	0.0	-15.0
~ Transfer to or from the Collection Fund Adjustment Account	0.0	0.0	0.0	0.0	0.0	0.0
~ Differences between the amounts debited or credited to the Income & Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	0.0	0.0	0.0	0.0	0.0	0.0
- Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
~ Statutory provision for the repayment of debt	-17.7	0.0	0.0	0.0	0.0	17.7
~ Capital expenditure charged to the General Fund Balance	-5.1	0.0	0.0	0.0	0.0	5.1
Adjustments primarily involving the Capital Grants Unapplied Account						0.0
~ Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-49.9	0.0	0.0	0.0	49.9	0.0
~ Application of Grants to capital financing transferred to the Capital Adjustment Account	44.7	0.0	0.0	0.0	-44.7	0.0

Adjustments Between Accounting Basis and Funding Basis Under Regulations - 2010-2011	General Fund Balance £millions	Earmarked Reserves £millions	Capital Fund £millions	Capital Receipts Reserve £millions	Capital Grants Unapplied £millions	Movement in Unusable Reserves net spending £millions
Adjustments primarily involving the Capital Receipts Reserve						
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.0	0.0	0.0	0.0	0.0	0.0
~ Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	0.0	0.0
~ Contribution from the Capital Receipts Reserve/Capital Fund towards administrative costs of non-current asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.1	0.0	0.0	0.0	0.0	-0.1
Adjustments primarily involving the Pensions Reserve						
~ Grant funding of fire-fighters pension liabilities	-3.0	0.0	0.0	0.0	0.0	3.0
~ Net charges made for retirement benefits in accordance with FRS17	-12.7	0.0	0.0	0.0	0.0	12.7
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-2.7	0.0	0.0	0.0	0.0	2.7
Employers pensions contributions and direct payments to pensioners payable in the year	-31.3	0.0	0.0	0.0	0.0	31.3
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-0.7	0.0	0.0	0.0	0.0	0.7
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2.2	0.0	0.0	0.0	0.0	-2.2
Total Adjustments	**-43.6**	**0.0**	**0.0**	**0.0**	**5.2**	**38.4**

Adjustments Between Accounting Basis and Funding Basis Under Regulations - 2009-2010	General Fund Balance £millions	Earmarked Reserves £millions	Capital Fund £millions	Capital Receipts Reserve £millions	Capital Grants Unapplied £millions	Movement in Unusable Reserves net spending £millions
Adjustments primarily involving the Capital Adjustment Account						
- Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
~ Charges for depreciation and impairment of non-current assets	58.6	-	-	0.0	0.0	-58.6
~ Revaluation losses on Property, Plant & Equipment	0.0	-	-	-	-	0.0
~ Movements in the market value of Investment Properties	0.0	-	-	-	-	0.0
~ Amortisation of intangible assets	0.1	-	-	-	-	-0.1
~ Capital Grants and Contributions applied	-50.8	-	-	0.0	0.0	50.8
~ Movement in the Donated Assets Account	0.0	-	-	-	-	0.0
~ Revenue expenditure funded from capital under statute	15.6	-	-	0.0	0.0	-15.6
~ Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	12.5	-	-	-	0.0	-12.5
~ Transfer to or from the Collection Fund Adjustment Account	0.0	-	-	0.0	0.0	0.0
~ Differences between the amounts debited or credited to the Income & Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt	0.0	-	-	0.0	0.0	0.0
- Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
~ Statutory provision for the repayment of debt	-16.3	-	-	0.0	0.0	16.3
~ Capital expenditure charged to the General Fund Balance	-4.7	-	-	0.0	0.0	4.7
Adjustments primarily involving the Capital Grants Unapplied Account						0.0
~ Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-8.1	0.0	0.0	0.0	8.1	0.0
~ Application of Grants to capital financing transferred to the Capital Adjustment Account	6.0	0.0	0.0	0.0	-6.0	0.0

Adjustments Between Accounting Basis and Funding Basis Under Regulations - 2009-2010	General Fund Balance £millions	Earmarked Reserves £millions	Capital Fund £millions	Capital Receipts Reserve £millions	Capital Grants Unapplied £millions	Movement in Unusable Reserves net spending £millions
Adjustments primarily involving the Capital Receipts Reserve						
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-0.3	0.0	0.0	0.3	0.0	0.0
~ Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	-0.3	0.0	0.3
~ Contribution from the Capital Receipts Reserve/Capital Fund towards administrative costs of non-current asset disposals	0.2	0.0	-0.2	0.0	0.0	0.0
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.1	0.0	0.0	0.0	0.0	-0.1
Adjustments primarily involving the Pensions Reserve						
~ Grant funding of fire-fighters pension liabilities	-2.5	-	-	0.0	0.0	2.5
~ Net charges made for retirement benefits in accordance with FRS17	58.2	-	-	0.0	0.0	-58.2
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-2.8	0.0	0.0	0.0	0.0	2.8
Employers pensions contributions and direct payments to pensioners payable in the year	-30.3	0.0	0.0	0.0	0.0	30.3
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-0.9	0.0	0	0.0	0.0	0.9
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account						
Amount by which amounts charged for Equal Pay claims to the Comprehensive and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0.0	0.0	0	0.0	0.0	0.0
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-2.0	-	0	0.0	0.0	2.0
Total Adjustments	**32.6**	**0.0**	**-0.2**	**0.0**	**2.1**	**-34.5**

Note 8 Transfers to/from Earmarked Reserves

Movement in earmarked reserves	Balance at 1 April 2010 £ millions	Transfers Out £ millions	Transfers In £ millions	Balance at 31 March 2011 £ millions
Schools Balances (under a scheme of delegation)	14.4	0.0	8.1	22.5
Insurance Fund	10.3	0.0	0.7	11.0
DSG Reserve	5.1	-0.7	0.0	4.4
LPSA Reserve	0.7	0.0	0.4	1.1
Equal Pay Reserve	1.3	0.0	1.7	3.0
IT for Schools	-0.3	0.0	0.0	-0.3
PFI credits Reserve	1.0	0.0	0.0	1.0
Virtual Bank Loans	-0.9	-1.0	1.3	-0.6
LABGI Reserve	0.7	-0.7	0.0	0.0
Service Realignment Fund	7.1	-6.5	0.0	0.6
Capacity Building Fund	0.1	0.0	0.2	0.3
Elections Reserve	0.0	0.0	0.1	0.1
Other Service Savings and earmarked reserves (net movement)	5.2	0.0	4.9	10.1
Total	**44.7**	**-8.9**	**17.4**	**53.2**

Movement in earmarked reserves	Balance at 1 April 2009 £ millions	Transfers Out £ millions	Transfers In £ millions	Balance at 31 March 2010 £ millions
Schools Balances (under a scheme of delegation)	12.7	0.0	1.7	14.4
Insurance Fund	16.4	-7.1	1.0	10.3
DSG Reserve	2.4	0.0	2.7	5.1
LPSA Reserve	3.3	-2.6	0.0	0.7
Equal Pay Reserve	0.1	0.0	1.2	1.3
IT for Schools	-0.8	0.0	0.5	-0.3
PFI credits Reserve	1.4	-0.4	0.0	1.0
Virtual Bank Loans	-3.3	0.0	2.4	-0.9
LABGI Reserve	0.4	0.0	0.3	0.7
Service Realignment Fund	0.0	0.0	7.1	7.1
Capacity Building Fund	0.4	-0.4	0.1	0.1
Elections Reserve	0.2	-0.2	0.0	0.0
Other Service Savings and earmarked reserves (net movement)	4.4	0.0	0.8	5.2
Total	**37.6**	**-10.7**	**17.8**	**44.7**

The money that service departments set aside is held to make sure that they can meet future known budget commitments, and that the services will have the resources to react to any unexpected events they may be responsible for.

The balances held are reported to Members on a regular basis. The reportable segments are as follows:

Balance as at 31 March 2010 £ millions	Earmarked Reserves	Balance as at 31 March 2011 £ millions
-2.4	Adult, Health & Community Services	1.4
21.9	Children, Young People & Families (includes schools)	29.1
2.6	Environment & Economy	3.8
-0.1	Fire & Rescue	0.9
22.7	Other Support Services and Corporate Reserves (includes insurance fund and service realignment fund)	18.0
44.7	**Total**	**53.2**

Note 9 Other Operating Expenditure

2009/2010 £ millions	Other Operating Expenditure	2010/2011 £ millions
0.2	Levies:- Environment Agency Levy	0.2
0.0	Gains/Losses on disposal of current assets - held for sale	-0.7
12.5	Gains/Losses on disposal of non-current assets	15.2
12.7		**14.7**

Note 10 Financing and Investment Income and Expenditure

2009/2010 £ millions	Financing and Investment Income and Expenditure	2010/2011 £ millions
17.0	Interest payable and similar charges	18.3
31.1	Pensions Interest cost and expected return on pensions assets	27.7
-2.7	Interest receivable and similar income	-1.1
-9.0	Trading account income	-11.3
6.8	Trading account expenditure	10.6
0.0	Income and expenditure in relation to investment properties and changes in their fair value	1.8
-0.1	Other investment income/expenditure	0.1
43.1		**46.1**

Note 11 Taxation and Non Specific Grant Incomes

2009/2010 £ millions	Taxation and Non Specific Grant Incomes	2010/2011 £ millions
224.5	~ Council tax income	231.6
72.4	~ Non domestic rates	80.4
16.7	~ Revenue Support Grant	11.7
	Other non-ringfenced Government grants	
2.5	~ Fire Pensions Fund Grant (Gain)	3.0
0.3	~ Local Authority Business Growth Incentive Grant (LABGI)	0.0
24.0	~ Area Based Grant	31.0
11.4	~ Revenue grants	2.1
41.2	~ Capital grants and contributions	37.2
392.9		**397.0**

Note 12 – Property, Plant & Equipment

Property, Plant & Equipment	Land & Buildings £ millions	Surplus Assets £ millions	Vehicles, Machinery, Furniture & Equipment £ millions	Road & Bridges £ millions	Country parks & open spaces £ millions	Assets under cons-truction £ millions	Total £ millions
Gross book Value at 1 April 2010	833.0	3.1	41.8	261.4	2.2	129.1	1,270.6
Depreciation balance at 1 April 2010	-22.8	0.0	-21.5	-64.4	0.0	0.0	-108.7
Gross book value prior period adjustment	0.0	0.0	0.0	23.6	0.0	-24.8	-1.2
Depreciation/amortisation balance prior period adjustment	0.0	0.0	0.0	-0.2	0.0	0.0	-0.2
Net book value at start of the year	**810.2**	**3.1**	**20.3**	**220.4**	**2.2**	**104.3**	**1,160.5**
Changes in the year							
~ opening balance adjustment	0.1	0.0	0.0	0.0	0.0	-1.1	-1.0
~ Reclassifications	-17.0	-0.2	0.0	0.0	0.0	-2.6	-19.8
~ spending on assets	31.4	0.0	4.5	26.8	0.0	7.8	70.5
~ transfer of Assets under Construction to Operational Assets on project completion	12.2	0.0	3.2	73.6	0.0	-89.7	-0.7
~ value of assets we have sold	-16.1	0.0	-1.2	0.0	0.0	0.0	-17.3
~ changes in the value of assets: revaluation	-1.4	0.5	0.0	0.0	0.0	0.6	-0.3
~ impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation							
~ opening balance adjustment on depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
~ other changes to depreciation in year	0.0	0.0	0.0	0.0	0.0	0.0	0.0
~ depreciation written off on disposal	0.9	0.0	1.0	0.0	0.0	0.0	1.9
~ depreciation	-26.1	0.0	-4.4	-9.5	-0.1	0.0	-40.1
Net book value at the end of the year	**794.2**	**3.4**	**23.4**	**311.3**	**2.1**	**19.3**	**1,153.7**

Property, Plant & Equipment	Land & Buildings £ millions	Surplus Assets £ millions	Vehicles, Machinery, Furniture & Equipment £ millions	Road & Bridges £ millions	Country parks & open spaces £ millions	Assets under cons-truction £ millions	Total £ millions
Gross book Value at 31 March 2011	842.2	3.4	48.3	385.4	2.2	19.3	1,300.8
Depreciation balance at 31 March 2011	-48.0	0.0	-24.9	-74.1	-0.1	0.0	-147.1
Net book value at the end of the year	**794.2**	**3.4**	**23.4**	**311.3**	**2.1**	**19.3**	**1,153.7**

Property, Plant & Equipment (Restated)	**Land & Buildings** £ million	**Surplus Assets** £ million	**Vehicles, Machinery, Furniture & Equipment** £ million	**Road & Bridges** £ million	**Country parks & open spaces** £ million	**Assets under cons-truction** £ million	**Total** £ million
Gross book Value at 1 April 2009	813.9	0.0	39.4	251.4	2.1	115.3	1,222.1
Depreciation balance at 1 April 2009	0.0	0.0	-19.4	-56.0	0.0	0.0	-75.4
Net book value at start of the year	**813.9**	**0.0**	**20.0**	**195.4**	**2.1**	**115.3**	**1,146.7**
Changes in the year							
~ opening balance adjustment	-1.3	0.0	0.0	0.0	0.0	-1.1	-2.4
~ Reclassifications	-16.7	3.1	0.0	0.0	0.0	-0.1	-13.7
~ spending on assets	23.2	0.0	4.0	6.6	0.1	50.8	84.7
~ transfer of Assets under Construction to Operational Assets on project completion	30.0	0.0	0.6	28.7	0.0	-59.3	0.0
~ value of assets we have sold	-12.6	0.0	-2.0	0.0	0.0	-0.1	-14.7
~ changes in the value of assets: revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
~ impairments	-3.5	0.0	-0.2	-1.7	0.0	-1.2	-6.6
Depreciation							
~ opening balance adjustment on depreciation	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1
~ other changes to depreciation in year	1.2	0.0	0.1	0.0	0.0	0.0	1.3
~ depreciation written off on disposal	0.3	0.0	1.9	0.0	0.0	0.0	2.2
~ depreciation	-24.3	0.0	-4.0	-8.6	0.0	0.0	-36.9
Net book value at the end of the year	**810.2**	**3.1**	**20.3**	**220.4**	**2.2**	**104.3**	**1,160.5**

Property, Plant & Equipment (Restated)	Land & Buildings £ million	Surplus Assets £ million	Vehicles, Machinery, Furniture & Equipment £ million	Road & Bridges £ million	Country parks & open spaces £ million	Assets under cons-truction £ million	Total £ million
Gross book Value at 31 March 2010	833.0	3.1	41.8	285.0	2.2	104.3	1,269.4
Depreciation balance at 31 March 2010	-22.8	0.0	-21.5	-64.6	0.0	0.0	-108.9
Net book value at the end of the year	**810.2**	**3.1**	**20.3**	**220.4**	**2.2**	**104.3**	**1,160.5**

Our Land and Building assets includes Schools, Fire Stations, Libraries, Homes for the elderly and physically disabled, waste disposal sites and other buildings.

The total loss on the sale of assets included in the Income and Expenditure Account is £14.945 million. Material profits and losses include Polesworth High School at £11.342 million and Henley in Arden Primary School at £2.996 million. Polesworth High School became an Academy and Henley in Arden Primary became a Voluntary Aided Church of England School. The effect of both these changes is that we had to transfer ownership of the assets to a third party at nil cost.

This loss is then reversed through the Movement in Reserves Statement. The expenses on sale of assets are funded through the Capital Fund.

Depreciation

All assets with a limited useful life, such as vehicles and buildings, are reduced in value in line with the following policies. This reduction in value is called depreciation. We charge depreciation cost on buildings over our valuers' estimate of their useful economic life (between 10 and 62 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 12 years for vehicles and between 3 and 25 years for equipment). The depreciation charge is to cover the economic usage of the asset.

~ Our new assets begin to fall in value from the start of the next financial year after they have been bought. New assets that are being built do not start to fall in value until they are finished and ready to be used. Assets or projects with incomplete spend are classified as Assets Under Construction on the balance sheet and are recorded at historic cost.

~ An asset's value falls steadily throughout its useful economic life with a constant proportion of the assets' gross value being deducted every year. If the gross value of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year.

~ We charge depreciation costs on buildings as a single asset. However, if we determine that the capitalisable costs of likely refurbishments of major components within an asset

are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the useful economic life of the whole asset is reduced to reflect this. (This section may need more detail once the componentisation policy has been confirmed).

We do not charge depreciation on land we own, as it does not have a limited useful life.

As part of the revalution of the Council's land and buildings estate in 2008/2009, the valuers supplied new estimates of these assets' useful economic lives. These estimates were reflected in the depreciation charges for 2010/2011.

We do not charge depreciation on Investment Properties or Assets Held For Sale.

Capital Commitments

At 31 March 2011, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment in 2011/2012 and future years. The total of those payments we were still due to make on capital schemes that were not yet finished, or which we had not finished paying for totals £5.2 million. Similar commitments at 31st March 2010 were £23.8 million.

The largest outstanding commitments are as follows.

1. Charity re-use shop, Princes Drive HWRC - £0.6 million.
2. Local Transport Plan - £0.5 million
3. Griff gypsy and travellers caravan site – £0.5 million
4. Alveston CE Primary School - £0.4 million.

Effects of Changes in Estimates

There have been no material changes to our accounting estimates for Property, Plant and Equipment in 2010/2011.

Revaluations

Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). In 2008/2009 the Council carried out a full revaluation of all its land and building assets. All revaluations in 2010/2011 have been carried out by Council RICS qualified staff.

The closing balances on 31 March 2011 were valued in the following ways.

~ Land and buildings are included in the balance sheet at their open-market value based on their existing use. However, where there is insufficient market valuation evidence, some land and buildings, for example schools, are included in the balance sheet at a depreciated replacement cost. Surplus assets which are not likely to be disposed of in the next twelve months are valued at their previous use.

~ We have included investment properties and assets we intend to sell within twelve months in the balance sheet at their open market value. These assets are revalued

every year.

~ We have included infrastructure assets, community assets, vehicles, plant and equipment in the balance sheet at the amount they cost when we bought them less an annual charge for depreciation.

Following the revaluation undertaken this year, we have recognised £0.067 million total revaluation losses where groups of assets are similarly affected. We have also recognised a net loss of £1.433 million as a result of revaluation losses where individual assets are affected. These figures are before any reversals of previously recognised revaluation gains.

We have adjusted for any major changes to the value of assets as they happen, whether across groups of assets or individual assets, and we review the need to revalue any asset where there has been more than £0.250 million spend each year. When assets are revalued, if they are worth more than we paid for them, we add the difference to the Revaluation Reserve.

The significant assumptions applied in estimating the fair values are:-

~ Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority can not be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets. It is estimated that the annual depreciation charge for buildings would increase by £1.6 million for every year that useful lives are reduced.

Note 13 – Investment Properties

The authority has classified a number of properties held under operating leases as investment properties.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:-

31 March 2010 £ million	Investment Properties	31 March 2011 £ million
0.0	Rental income from investment property	0.0
-2.0	Direct operating expenses arising from investment property	-0.2
-2.0	**Net gain/(loss)**	**-0.2**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

31 March 2010 £ million	Investment Properties	31 March 2011 £ million
26.2	Balance at the start of the year	19.4
-0.1	Opening balance adjustment	1.0
	Additions:-	
0.0	~ Purchases	0.0
0.0	~ Construction	0.0
0.0	~ Subsequent Expenditure	0.0
0.0	Disposals	-1.0
-6.8	Net Gains/Losses from fair value adjustments	-1.8
	Transfers:-	
0.0	~ to/from inventories	0.0
0.0	~ to/from Property, Plant & Equipment	20.8
0.0	Other changes	0.0
19.4	**Balance at the end of the year**	**38.4**

Note 14 Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant & Equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives assigned to the major software suite used by the authority are:-

	Internally Generated Assets	Other Assets
3 years	None	None
5 years	None	None
10 years	None	HR suite, Financial suite

We do not hold any patents. We bought licences direct from revenue in the year which cost £0.2 million (£0.2 million in 2009/2010). We have also bought a number of software licences which cost £1.0 million in 2010/2011 (£2.9 million in 2009/2010). We own a number of software licences across the authority which are written off to revenue over their expected useful lives (between 3 and 10 years) as above. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £1.6 million charged to revenue in 2010/2011 was charged to a number of services, some of which absorbed as an overhead and charged across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:-

Intangible assets	Software licences we have bought £ million	Licences, trademarks and artistic originals £ million	Patents £ million	Total £ million
Gross book Value at 1 April 2010	1.2	0.0	0.0	1.2
Amortisation balance at 1 April 2010	-0.7	0.0	0.0	-0.7
Net book value at the start of the year	**0.5**	**0.0**	**0.0**	**0.5**
Changes in the year				
~ Opening balance adjustment	0.0	0.0	0.0	0.0
~ reclassifications	0.0	0.0	0.0	0.0
~ spending on assets	0.9	0.0	0.0	0.9
~ Transfer from WIP to complete	0.7	0.0	0.0	0.7
~ value of assets we have sold	0.0	0.0	0.0	0.0
Amortisation				
~ Opening balance adjustment	0.0	0.0	0.0	0.0
~ other changes to amortisation in year	0.0	0.0	0.0	0.0
~ amortisation	-0.2	0.0	0.0	-0.2
Net book value at the end of the year	**1.8**	**0.0**	**0.0**	**1.8**

Intangible assets	Software licences we have bought £ million	Licences, trademarks and artistic originals £ million	Patents £ million	Total £ million
Gross book Value at 31 March 2011	2.7	0.0	0.0	2.7
Amortisation balance at 31 March 2011	-0.9	0.0	0.0	-0.9
Net book value at the end of the year	**1.8**	**0.0**	**0.0**	**1.8**

Intangible assets	Software licences we have bought £ million	Licences, trademarks and artistic originals £ million	Patents £ million	Total £ million
Gross book Value at 1 April 2009	1.1	0.0	0.0	1.1
Amortisation balance at 1 April 2009	-0.6	0.0	0.0	-0.6
Net book value at the start of the year	**0.5**	**0.0**	**0.0**	**0.5**
Changes in the year				
~ reclassifications	0.0	0.0	0.0	0.0
~ spending on assets	0.1	0.0	0.0	0.1
~ transfer of Assets under Construction to Operational Assets on project completion	0.0	0.0	0.0	0.0
~ value of assets we have sold	0.0	0.0	0.0	0.0
Amortisation				
~ other changes to amortisation in year	0.0	0.0	0.0	0.0
~ amortisation	-0.1	0.0	0.0	-0.1
Net book value at the end of the year	**0.5**	**0.0**	**0.0**	**0.5**

Intangible assets	Software licences we have bought £ million	Licences, trademarks and artistic originals £ million	Patents £ million	Total £ million
Gross book Value at 31 March 2010	1.2	0.0	0.0	1.2
Amortisation balance at 31 March 2010	-0.7	0.0	0.0	-0.7
Net book value at the end of the year	**0.5**	**0.0**	**0.0**	**0.5**

No changes in accounting estimates for intangible assets have had an effect on the current period or are expected to have an effect in subsequent periods.

No intangible assets are assessed as having an indefinite useful life.

There are no items of capitalised software that are individually material to the financial statements.

In September 2009 the authority entered into a contract for the replacement of its financial systems. The new system was partially implemented during 2010/2011 and is expected to be completely operational during 2011/2012. The total budgeted cost of the system to be capitalised is £1.3 million, including a significant element of new hardware required to host the system.

Intangible assets are valued at historic cost (the cost at which they were bought).

No intangible assets have been acquired by way of government grant and initially recognised at fair value.

Note 15 Financial Instruments

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

Fair values of borrowings and investments	Long Term On 31 March 2011 £ millions	Long Term On 31 March 2010 £ millions	Current On 31 March 2011 £ millions	Current (Restated) On 31 March 2010 £ millions
~ Financial Liabilities at amortised cost	373.2	332.1	87.6	91.0
~ Financial Liabilities at fair value through profit and loss	360.3	354.8	87.6	91.4
Total borrowings	**360.3**	**354.8**	**87.6**	**91.4**
~ Loans and receivables	0.3	1.1	119.5	86.1
~ Available-for-sale financial assets	0.6	0.5	0.0	0.0
~ Unquoted equity investment at cost	0.0	0.0	0.0	0.0
Total investments	**0.9**	**1.6**	**119.5**	**86.1**

Interest Paid and Investment Income 2010/2011	Financial Liabilities Liabilities Measured at amortised cost £ millions	Financial Assets Loans and receivables £ millions	Available for sale assets £ millions	Total £ millions
~ Interest expense	18.3	0.0	0.0	18.3
~ Discounts on early repayment of debt	0.0	0.0	0.0	0.0
~ Losses on derecognition	0.0	0.0	0.0	0.0
~ Impairment losses	0.0	0.0	0.0	0.0
Interest payable and similar charges	**18.3**	**0.0**	**0.0**	**18.3**
~ Interest income	0.0	1.1	0.0	1.1
~ gains on derecognition	0.0	0.0	0.0	0.0
Interest and Investment Income	**0.0**	**1.1**	**0.0**	**1.1**
~ Gains on revaluation	0.0	0.0	0.1	
~ Losses on revaluation	0.0	0.0	0.0	
~ Amounts recycled to the Income and Expenditure Account after impairment	0.0	0.0	0.0	
Net gain/(loss) for the year	**18.3**	**1.1**	**0.1**	

Interest Paid and Investment Income **2009/2010**	**Financial Liabilities** **Liabilities Measured at amortised cost £ millions**	**Financial Assets** **Loans and receivables £ millions**	**Available for sale assets £ millions**	**Total £ millions**
~ Interest expense	17.0	0.0	0.0	17.0
~ Discounts on early repayment of debt	0.0	0.0	0.0	0.0
~ Losses on derecognition	0.0	0.0	0.0	0.0
~ Impairment losses	0.0	0.0	0.0	0.0
Interest payable and similar charges	**17.0**	**0.0**	**0.0**	**17.0**
~ Interest income	0.0	2.8	0.0	2.8
~ gains on derecognition	0.0	0.0	0.0	0.0
Interest and Investment Income	**0.0**	**2.8**	**0.0**	**2.8**
~ Gains on revaluation	0.0	0.0	0.0	
~ Losses on revaluation	0.0	0.0	-0.6	
~ Amounts recycled to the Income and Expenditure Account after impairment	0.0	0.0	0.0	
Net gain/(loss) for the year	**17.0**	**2.8**	**-0.6**	

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. In assessing fair value we have made the following assumptions:-

- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:-

Fair value of financial liabilities and loans receivable	31 March 2011 Carrying Amount £ millions	31 March 2011 Fair Value £ millions	31 March 2010 (Restated) Carrying Amount £ millions	31 March 2010 (Restated) Fair Value £ millions
Financial Liabilities	460.8	447.9	423.2	446.3
Loans and receivables	119.8	120.0	87.2	87.2

Note 16 Inventories

2009/2010 Total £ millions	Inventories - 2010/2011	2010/2011 Total £ millions
0.7	Balance at start of year	0.6
0.6	Purchases	0.6
-0.7	Recognised as an expense in the year	-0.6
0.0	Written-off balances	0.0
0.0	Reversal of write-offs in previous years	0.0
0.6	**Balance outstanding at year end**	**0.6**

We have no material types of inventories and so the above shows the change in valuation in the year of the inventories we hold.

Note 17 Construction Contracts

At 31 March 2011 the authority did not have any construction contracts in progress for other organisations. No construction contracts have been completed in 2010/2011 or 2009/2010.

Note 18 Debtors

On 31 March 2010 £ millions	Long-term debtors	On 31 March 2011 £ millions
0.3	Deposits and advances	0.2
0.8	Other long-term debtors	0.1
1.1	**Balance at the end of the year**	**0.3**

On 31 March 2010 £ millions	Debtors and prepayments	On 31 March 2011 £ millions
9.6	Trade Debtors (invoiced income system)	14.4
23.0	Other trade debtors and prepayments	38.2
2.9	VAT (due to us)	4.2
6.8	Council Tax Debtors	6.7
0.3	Amounts owed by billing authorities in respect of Collection Fund	0.5
0.8	Capital debtors and prepayments excluding invoiced income	1.0
43.4	**Total debtors**	65.0
-2.9	less provision for bad debts (debts we consider may not be paid)	-3.2
40.5	**Balance at the end of the year**	**61.8**

On 31 March 2010 £ millions	Debtors and prepayments	On 31 March 2011 £ millions
1.1	Long Term Debtors	0.3
40.5	Short Term Debtors (due less than 12 months)	61.8
41.6	**Total Debtors**	**62.1**
8.5	Central Government Bodies	9.9
3.3	Other Local Authorities	3.6
1.6	NHS Bodies	4.4
0.0	Public Corporations and Trading Funds	0.0
28.2	Other Entities and Individuals	44.2
41.6	**Balance at the end of the year**	**62.1**

Note 19 Cash and Cash Equivalents

On 31 March 2010 £ millions	Cash and Cash Equivalents	On 31 March 2011 £ millions
14.7	Cash held by the authority (including schools and imprest accounts)	9.0
10.0	Bank Current Accounts (Call accounts)	10.0
36.1	Short-term Deposits with building societies and other institutions less than 3 months maturity	49.0
60.8	**Total Cash and Cash Equivalents**	**68.0**

Note 20 Assets Held For Sale

On 31 March 2010 Current £ millions	On 31 March 2010 Non current £ millions	Assets Held For Sale	On 31 March 2011 Current £ millions	On 31 March 2011 Non current £ millions
3.9	0.0	Balance outstanding at start of year	11.6	0.0
		Assets newly classified as held for sale:		
7.8	0.0	~ Property, Plant and Equipment	0.0	0.0
0.0	0.0	~ Intangible Assets	0.0	0.0
0.0	0.0	~ Other assets/liabilities in disposal groups	0.0	0.0
0.0	0.0	Revaluation losses	0.0	0.0
0.0	0.0	Revalutaion gains	0.7	0.0
0.0	0.0	Impairment losses	0.0	0.0
		Assets declassified as held for sale:		
0.0	0.0	~ Property, Plant and Equipment	-0.9	0.0
0.0	0.0	~ Intangible Assets	0.0	0.0
0.0	0.0	~ Other assets/liabilities in disposal groups	0.0	0.0
0.0	0.0	Assets sold	-3.9	0.0
-0.1	0.0	Transfers from non-current to current	0.0	0.0
0.0	0.0	Other movements	0.0	0.0
11.6	**0.0**	**Balance outstanding at year end**	**7.5**	**0.0**

Note 21 Creditors

On 31 March 2010 £ millions	Creditors	On 31 March 2011 £ millions
0.0	Long Term	1.2
87.0	Short Term (less than 12 months)	87.6
87.0	**Total Creditors**	**88.8**
31.0	Trade and other creditors (including payments to staff)	45.8
8.1	Tax and money we owe to social security	8.0
23.2	Money we have received in advance	14.2
2.5	Council Tax Overpayments and Prepayments	2.8
8.9	Accumulated absences accruals (IFRS)	11.1
2.6	Amounts owed to billing authorities	1.8
10.7	Capital creditors	5.1
87.0	**Balance at the end of the year**	**88.8**

On 31 March 2010 £ millions	Creditors	On 31 March 2011 £ millions
22.3	Central Government Bodies	26.0
5.7	Other Local Authorities	4.9
1.0	NHS Bodies	0.1
0.1	Public Corporations and Trading Funds	0.1
57.9	Other Entities and Individuals	57.7
87.0	**Balance at the end of the year**	**88.8**

Note 22 Provisions

On 31 March 2010 Total £ millions	Provisions	On 31 March 2011 Landfill Usage account £ millions	On 31 March 2011 Employee Related Provisions £ millions	On 31 March 2011 Other provisions £ millions	On 31 March 2011 Total £ millions
3.0	**Balance at the start of the year**	1.3	0.3	0.6	2.2
2.0	Additional Provisions made in 2010/2011	0.8	5.4	0.3	6.5
-1.6	Amounts used in 2010/2011	-1.3	0.0	-0.4	-1.7
-1.2	Unused amounts reversed in 2010/2011	0.0	-0.2	0.0	-0.2
0.0	Unwinding of discounting in 2010/2011	0.0	0.0	0.0	0.0
2.2	**Balance at the end of the year**	**0.8**	**5.5**	**0.5**	**6.8**
	Held by services for:				
0.9	~ specific service liabilities	0.0	5.5	0.5	6.0
1.3	~ liability for landfill usage account	0.8	0.0	0.0	0.8
2.2	**Total**	**0.8**	**5.5**	**0.5**	**6.8**
	Analysis:				
0.1	~ long term	0.0	1.9	0.2	2.1
2.1	~ short term (settlement expected within 12 months)	0.8	3.6	0.3	4.7
2.2	**Total**	**0.8**	**5.5**	**0.5**	**6.8**

An amount of £0.4 million we have set aside for children in hospital who are receiving education that is provided by other local education authorities. We will pay claims in future years as each one is finalised.

An amount of £0.1 million we have set aside for a provision for compensation claims in relation to phase 1 of our single status (equal pay) review. Payments are expected to be finalised in 2011/2012 and future years.

We have set up the liability for landfill usage account (£0.8 million) for allowances used in the year at the valuation set by DEFRA of £12.50 per tonne see note 55 on page 122. This is a notional accounting treatment. No cash will actually be paid over.

We have provided £0.1 million for a retained fire-fighters holiday pay provision. Payments are expected to be settled within 2011/2012.

Other provisions
All other provisions are individually insignificant.

Note 23 Usable Reserves

Movements in the Authority's usable Reserves are detailed in the Movement in Reserves Statement and in Notes 7 & 8 above. A summary of revenue and capital usable reserves is shown below:-

Movement in Usable Reserves	Revenue reserves £ millions		Total £ millions
	General reserves	Earmarked reserves	
Balance on 1 April 2010 (restated)	8.2	44.7	52.9
Surplus / Shortfall (-) for the year	4.3	0.0	4.3
Changes in reserves during the year	0.0	8.5	8.5
Balance on 31 March 2011	**12.5**	**53.2**	**65.7**

Movement in Usable Reserves	Capital Reserves £ millions			Total £ millions
	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Capital fund	
Balance on 1 April 2010	0.0	6.6	0.1	6.7
Income from selling our assets	5.3	0.0	0.0	5.3
Money Used to buy assets	-5.2	-0.8	0.0	-6.0
Money used to fund revenue expenditure funded from capital under statute	0.0	-0.1	0.0	-0.1
Money used to finance disposal costs - transfers between reserves	-0.1	0.0	0.1	0.0
Grants and contributions recognised as available but not used during the year	0.0	6.1	0.0	6.1
Balance on 31 March 2011	**0.0**	**11.8**	**0.2**	**12.0**

Note 24 Unusable Reserves

On 31 March 2010 Restated £ millions	Unusable Reserves	On 31 March 2011 £ millions
175.5	Revaluation Reserve	171.5
0.5	Available for Sale Financial Instruments Reserve	0.6
658.5	Capital Adjustment Account	655.6
0.7	Financial Instruments Adjustment Account	0.6
-581.1	Pensions Reserve	-461.5
0.5	Collection Fund Adjustment Account	1.2
-8.8	Compensated Absences Reserve	-11.0
245.8	**Total Unusable Reserves**	**357.0**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its Property, Plant and Equipment and intangible assets. The balance is reduced when assets with accumulated gains are:-

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve 2009/2010 £ millions	Movement in the capital reserves and accounts	Revaluation Reserve 2010/2011 £ millions
182.2	Balance on 1 April	175.5
-0.3	Opening balance adjustments	0.4
0.0	Revaluation Decreases	0.0
1.7	Revaluation Increases	2.5
0.0	Consumption Impairments	0.0
-0.3	Reversal of previous impairments	0.0
-3.2	Impairment offsets against Revaluation Reserve	0.0
-5.6	Depreciation adjustment to Revaluation reserve	-5.9
-1.6	Value of assets we have sold	-1.0
2.6	Reclassifications of assets	0.0
175.5	**Balance on 31 March**	**171.5**

Available For Sale Financial Instruments Reserve

The Available For Sale Financial Instruments Reserve contains the gains made by the authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:-

- revalued downwards or impaired and the gains are lost
- disposed of the gains are realised.

31 March 2010 £ millions	Available for Sale Financial Instruments Reserve	31 March 2011 £ millions
1.1	Balance on 1 April 2010	0.5
0.0	Upward Revaluation of investments	0.1
-0.6	Downward revaluation of investments not charged to Surplus/Deficit on the Provision of Services	0.0
0.0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0.0
0.5	**Balance on 31 March**	**0.6**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the financing of the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment and revaluation losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains the accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account 2009/2010 £ millions	Movement in the capital reserves and accounts	Capital Adjustment Account 2010/2011 £ millions
665.6	Balance on 31 March	658.5
-2.2	Opening balance adjustments	-0.2
0.0	Revaluation Decreases	0.0
0.0	Revaluation Increases	-4.0
-17.5	Consumption Impairments	0.0
0.3	Reversal of previous impairments	0.0
3.1	Impairment offsets against Revaluation Reserve	0.0
5.6	Depreciation adjustment to Revaluation reserve	5.8
-9.5	Value of assets we have sold	-19.4
-4.5	Transfer of spending on assets we do not own	-17.7
-16.6	Transfers to and from the revenue account	-22.4
6.1	Government grant set aside	55.0
28.1	Reclassifications of assets	0.0
658.5	**Balance on 31 March**	**655.6**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The authority uses the Account to manage the discounts received on the early redemption of debt. We have not received any discounts or paid any premiums in 2010/2011.

31 March 2010 £ millions	Financial Instruments Adjustment Account	31 March 2011 £ millions
0.8	Balance on 1 April 2009	0.7
0.0	Discounts received in the year and credited to the Comprehensive Income and Expenditure Statement	0.0
-0.1	Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	-0.1
0.0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable/receivable in year in accordance with statutory requirements	0.0
0.7	**Balance on 31 March**	**0.6**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time that the benefits come to be paid.

On 31 March 2010 £ millions	Pensions Reserve	On 31 March 2011 £ millions
-336.2	LGPS	-236.3
-181.5	Firefighters	-166.3
-44.8	Teachers Discretionary	-42.0
-18.6	Firefighters Injury Awards	-16.9
-581.1	**Balance at 31 March**	**-461.5**

On 31 March 2010 £ millions	Pensions Reserve	On 31 March 2011 £ millions
-401.0	Balance as 1 April	-581.1
-157.6	Actuarial gains and losses on pension assets and liabilities	70.0
-58.2	Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12.6
33.2	Employer's pension contributions and direct payments to pensioners payable in the year	34.0
2.5	Grant funding of fire-fighters pensions liabilities	3.0
-581.1	**Balance at 31 March**	**-461.5**

The movements above are analysed between the different schemes as follows:-

On 31 March 2010 £ millions	Pensions Reserve - LGPS	On 31 March 2011 £ millions
-226.5	Balance as 1 April	-336.2
-94.3	Actuarial gains and losses on pension assets and liabilities	64.7
-37.8	Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12.0
22.4	Employer's pension contributions and direct payments to pensioners payable in the year	23.2
0.0	Other	0.0
-336.2	**Balance at 31 March**	**-236.3**

On 31 March 2010 £ millions	Pensions Reserve - Firefighters	On 31 March 2011 £ millions
-124.0	Balance as 1 April	-181.5
-51.1	Actuarial gains and losses on pension assets and liabilities	5.0
-16.1	Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-0.1
7.2	Employer's pension contributions and direct payments to pensioners payable in the year	7.3
2.5	Grant funding of fire-fighters pensions liabilities	3.0
-181.5	**Balance at 31 March**	**-166.3**

On 31 March 2010 £ millions	Pensions Reserve - Firefighters Injury Awards	On 31 March 2011 £ millions
-12.7	Balance as 1 April	-18.6
-5.3	Actuarial gains and losses on pension assets and liabilities	0.3
-1.1	Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	0.9
0.5	Employer's pension contributions and direct payments to pensioners payable in the year	0.5
0.0	Other	0.0
-18.6	**Balance at 31 March**	**-16.9**

On 31 March 2010 £ millions	Pensions Reserve - Teachers Discretionary	On 31 March 2011 £ millions
-37.7	Balance as 1 April	-44.8
-6.9	Actuarial gains and losses on pension assets and liabilities	0.0
-3.3	Reversal of items relating to retirement benefits debited or credited to the Surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-0.2
3.1	Employer's pension contributions and direct payments to pensioners payable in the year	3.0
0.0	Other	0.0
-44.8	**Balance at 31 March**	**-42.0**

Deferred Capital Receipts

The Council has no deferred capital receipts.

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts due to the General Fund from the Collection Fund.

Balance at 1 April 2010 £ millions	Movement in Collection Fund Adjustment Account	Balance at 31 March 2011 £ millions
-0.4	Balance at start of year	0.5
0.9	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	0.7
0.5	**Balance at end of year**	**1.2**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Balance at 1 April 2010 £ millions	Balance at 1 April 2010 £ millions	Movement in Accumulated Absences Account	Balance at 31 March 2011 £ millions	Balance at 31 March 2011 £ millions
	-10.8	Balance at 1 April		-8.8
10.8		Settlement or cancellation of accrual made at the end of the preceding year	8.8	
-8.8		Amounts accrued at the end of the current year	-11.0	
	2.0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-2.2
	-8.8	**Balance at 31 March**		**-11.0**

Note 25 Cash Flow Statement – Operating Activities

Year ended 31 March 2010 £ millions	Cash flows from operating activities	Year ended 31 March 2011 £ millions
	Cash Inflows from operating activities:-	
223.6	~ Council Tax Receipts	231.0
72.4	~ National Non Domestic Rates receipts from pool	80.4
16.7	~ Revenue Support Grant	11.7
427.0	~ other Government Grants	443.6
105.9	~ cash received for goods and services	103.2
3.7	~ interest received	1.1
0.2	~ dividends received	0.0
	Cash Outflows from operating activities:-	
-465.0	~ cash paid to and on behalf of employees	-479.7
-339.8	~ other operating cash payments	-352.0
-17.0	~ interest paid	-18.3
27.7	**Total net cash flows from operating activities**	**21.0**

Note 26 Cash Flow Statement – Investing Activities

Year ended 31 March 2010 £ millions	Cash flows from investing activities	Year ended 31 March 2011 £ millions
-87.4	Purchase of property,plant and equipment, investment property and intangible assets	-77.1
0.0	Purchase of short and long-term investments	0.0
-0.2	Other payments for investing activities	-0.3
0.4	Proceeds from the sale of property, planty and equipment, investment property and intangible assets	5.3
0.0	Proceeds from short-term and long-term investments	0.0
45.1	Other receipts from investing activities Capital Grants	34.4
-42.1	**Net cash flows from investing activities**	**-37.7**

Note 27 Cash Flow Statement – Financing Activities

Year ended 31 March 2010 £ millions	Cash flows from financing activities	Year ended 31 March 2011 £ millions
12.2	Cash receipts of short-term and long-term borrowing	-12.1
29.9	Other receipts from financing activities	36.0
0.0	Cash payments for the reduction of outstanding liabilities relating to finance leases	0.0
0.0	Repayments of short-term and long-term borrowing	0.0
0.0	Other payments for financing activities	0.0
42.1	**Net cash flows from financing activities**	**23.9**

Note 28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet and full Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairments losses in excess of the balance in the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's directorates recorded in the Final Outturn reports for the year is as follows:-

Segmental Reporting Analysis 2010-2011	Adult, Health & Community Services £ millions	Children, Young People & Families £ millions	Fire Service £ millions	Environment & Economy £ millions	Support & Corporate Services £ millions	Total £ millions
Fees, charges and other service Income	43.7	33.0	0.7	25.7	18.9	122.0
Government Grants	7.6	389.5	0.2	4.5	32.1	433.9
Total Income	51.3	422.5	0.9	30.2	51.0	555.9
Employee Expenses	38.7	348.6	16.9	23.2	32.3	459.7
Other Services Expenses	128.8	161.6	4.9	65.3	25.6	386.2
Support Service Recharges	15.0	14.8	1.8	6.4	16.8	54.8
Total Operating Expenses	182.5	525.0	23.6	94.9	74.7	900.7
Cost Of Services	**131.2**	**102.5**	**22.7**	**64.7**	**23.7**	**344.8**

Segmental Reporting Analysis 2009-2010	Adult, Health & Community Services £ millions	Children, Young People & Families £ millions	Fire Service £ millions	Environment & Economy £ millions	Support & Corporate Services £ millions	Total £ millions
Fees, charges and other service Income	35.0	32.1	0.5	22.6	39.8	130.0
Government Grants	14.4	368.6	0.1	1.4	1.0	385.5
Total Income	49.4	400.7	0.6	24.0	40.8	515.5
Employee Expenses	49.6	337.5	17.8	21.9	38.2	465.0
Other Services Expenses	123.0	153.8	5.3	58.7	14.4	355.2
Support Service Recharges	12.8	10.7	1.2	4.9	10.6	40.2
Total Operating Expenses	185.4	502.0	24.3	85.5	63.2	860.4
Cost Of Services	**136.0**	**101.3**	**23.7**	**61.5**	**22.4**	**344.9**

Reconciliation of Directorate Income and Expenditure to Cost of Services in The Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement - 2010/2011	£ millions
Cost of Services in Service Analysis	344.8
Add Services not included in main analysis	0.0
Add amounts not reported to Management	-58.6
Remove Amounts reported to Management not included in Comprehensive Income and Expenditure Statement	-6.4
Net Cost of Services in Comprehensive Income and Expenditure Statement	**279.8**

Reconciliation to Subjective Analysis - 2010/2011	Service Analysis £ millions	Not Reported to Manage-ment £ millions	Not Included in I & E £ millions	Net Cost of Services £ millions	Corporate Amounts £ millions	Total £ millions
Fees, charges and other service Income	120.9	0.0	-11.3	109.6	11.3	120.9
Government Grants & Contributions	433.9	11.1	-33.0	412.0	165.4	577.4
Interest and Investment Income	1.1	0.0	-1.1	0.0	1.1	1.1
Income from Council Tax	0.0	0.0	0.0	0.0	231.6	231.6
Total Income	**555.9**	**11.1**	**-45.4**	**521.6**	**409.4**	**931.0**
Employee Expenses	459.7	-69.2	-17.8	372.7	18.1	390.8
Other Services Expenses	386.2	17.9	-31.5	372.6	17.8	390.4
Support Service Recharges	54.8	0.0	-2.5	52.3	2.5	54.8
Depreciation, amortisation and impairment	0.0	3.8	0.0	3.8	1.1	4.9
Interest Payments	0.0	0.0	0.0	0.0	18.3	18.3
Precepts and Levies	0.0	0.0	0.0	0.0	0.2	0.2
Gain or loss on disposal of fixed Assets	0.0	0.0	0.0	0.0	15.2	15.2
Total Operating Expenses	**900.7**	**-47.5**	**-51.8**	**801.4**	**73.2**	**874.6**
(Surplus) or Deficit on the Provision of Services	**344.8**	**-58.6**	**-6.4**	**279.8**	**-336.2**	**-56.4**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement - 2009/2010	£ millions
Cost of Services in Service Analysis	344.9
Add Services not included in main analysis	0.0
Add amounts not reported to Management	27.8
Remove Amounts reported to Management not included in Comprehensive Income and Expenditure Statement	-9.4
Net Cost of Services in Comprehensive Income and Expenditure Statement	**363.3**

Reconciliation to Subjective Analysis - 2009/2010	Service Analysis £ millions	Not Reported to Manage-ment £ millions	Not Included in I & E £ millions	Net Cost of Services £ millions	Corporate Amounts £ millions	Total £ millions
Fees, charges and other service Income	127.2	0.0	-9.1	118.1	9.0	127.1
Government Grants & Contributions	385.5	2.2	-24.3	363.4	168.4	531.8
Interest and Investment Income	2.8	0.0	-2.8	0.0	2.8	2.8
Income from Council Tax	0.0	0.0	0.0	0.0	224.5	224.5
Total Income	**515.5**	**2.2**	**-36.2**	**481.5**	**404.7**	**886.2**
Employee Expenses	465.0	-7.7	-20.6	436.7	20.5	457.2
Other Services Expenses	355.2	15.6	-22.8	348.0	15.2	363.2
Support Service Recharges	40.2	0.0	-2.2	38.0	2.2	40.2
Depreciation, amortisation and impairment	0.0	22.1	0.0	22.1	0.0	22.1
Interest Payments	0.0	0.0	0.0	0.0	17.0	17.0
Precepts and Levies	0.0	0.0	0.0	0.0	0.2	0.2
Gain or loss on disposal of fixed Assets	0.0	0.0	0.0	0.0	12.5	12.5
Total Operating Expenses	**860.4**	**30.0**	**-45.6**	**844.8**	**67.6**	**912.4**
(Surplus) or Deficit on the Provision of Services	**344.9**	**27.8**	**-9.4**	**363.3**	**-337.1**	**26.2**

Note 29 Acquired or discontinued operations

There are no acquired or discontinued operations in the year or preceding year.

Note 30 Trading accounts

Our trading accounts must break even after taking account of charges for the assets they use to provide their services. These charges are worked out in line with the accounting rules we use when we prepare our accounts. Any surplus or loss these trading activities make is transferred to, or met from, our business unit reserves.

The spending below is also included in our main accounts. However, we have adjusted these surpluses to reflect the effects of the new accounting treatment of IAS 19 pensions costs (to reflect the actual costs of pensions decisions they have taken in the current year).

2009/2010	Trading activity	2010/2011				Memo	
Net Expen-diture £ millions		Turnover (Internal and External Income) £ millions	Spend after internal income £ millions	External income £ millions	Net Expen-diture £ millions	Net Budget £ millions	Adjusted surplus (-) or loss £ millions
0.3	County caterers	9.9	6.5	6.6	-0.1	0.0	-0.1
0.0	County cleaning	3.2	0.0	0.2	-0.2	0.0	-0.2
-0.3	Warwickshire Education Services	1.9	0.8	0.3	0.5	0.0	0.5
-0.6	Payroll services	1.4	0.0	0.0	0.0	0.0	0.0
-0.7	Construction services	3.7	-0.6	0.0	-0.6	-0.9	0.3
-0.3	County fleet maintenance	3.2	0.4	0.6	-0.2	-0.1	-0.1
-0.3	Design services	3.3	0.4	0.6	-0.2	0.0	-0.2
-0.4	Legal services	4.3	3.0	3.0	0.0	0.1	-0.1
0.1	County Print Unit	0.6	0.1	0.0	0.1	0.0	0.1
0.0	School Governance	0.2	0.0	0.0	0.0	0.0	0.0
-2.2	**Total**	**31.7**	**10.6**	**11.3**	**-0.7**	**-0.9**	**0.2**

The charges for these trading activities were set when they had to include in total costs the interest element for using their assets. Now that this requirement has been removed, the aim when setting budgets is not to break even but to make a small surplus to cover what the notional interest charge would have been.

The total income for 2010/2011 for our significant trading activities above was £31.7 million (£35.0 million in 2009/2010) which included £20.4 million of internal income recharged to services (£26.0 million in 2009/2010).

Negative figures show we have more income than our spending (surplus).

We have always tried to achieve value for money when using our resources. We set up many of the current business units as a result of either compulsory competitive tendering (CCT), where they were successful in getting contracts against private-sector competition, or were set up to prepare us for voluntary competitive tendering (VCT).

Under our Contract Standing Orders and Constitution, our Cabinet must approve any business unit service that needs subsidisation (financial support).

Note 31 Agency Services

We have no material agency services arrangements.

Note 32 Road Charging Schemes Under the Transport Act 2000

We did not operate any schemes under this Act in 2010/2011 or 2009/2010.

Note 33 Pooled budgets with health

Section 31 of the Health Act 1999 and the NHS bodies and Local Authorities Partnership Arrangements Regulations 2000 allowed joint-working arrangements between NHS organisations and local authorities. This has now been replaced and repealed, for England, by section 75 of the National Health Service Act 2006 which has consolidated NHS legislation. The new provision is in exactly the same terms and existing section 31 arrangements will continue as if made under the new powers.

Pooled funds allow these health organisations and local authorities to work together to tackle specific health issues. An important feature of the pool will be that the way resources are used will depend on the needs of the clients who meet the conditions set for the pooled budget, rather than the contributions of the partners.

In 2004/2005, we entered into pooling arrangements under section 31 of the Health Act 1999 to provide a joint community-equipment service between us and the three Warwickshire primary care trusts (PCTs). In October 2006 the three separate PCTs were replaced with one PCT for the whole of Warwickshire, Warwickshire Primary Care Trust, which took over responsibilities of those three PCTs. We continue to manage the pooled resources, which added up to £4.238 million (a contribution of £1.603 million from us and £2.635 million from the Warwickshire Primary Care Trust). We spent £3.540 million in the year. The surplus of £0.698 million belongs to the PCT and will be carried forward to offset the PCT income for 2011/2012.

In 2005/2006, we entered into pooling arrangements with Coventry and Warwickshire Primary Care Trusts to provide substance-misuse treatment services, and we manage the pooled resources as the lead agency. The pooled funding for 2010/2011 was £2.634 million with our own contribution of £0.084 million, £2.444 million from the primary care trusts and £0.106 million carried forward from 2009/2010. During the year, the actual spending was £2.554 million. There was a surplus of £0.080 million to be carried forward which is committed to be spent in 2011/2012. All of this surplus of £0.080 million belongs to the Primary Care Trusts.

The table below summarises the financial transactions of the pooled budgets.

2009/2010 surplus (-) £ millions	Pooled budgets with health	2010/2011 Our contribution £ millions	Total pooled resources (including surplus from previous years to be used) £ millions	Total spending £ millions	Surplus (-) £ millions
	Section-31 agreements:				
-0.3	- Integrated community-equipment service	-1.6	-4.2	3.5	-0.7
	Other pooled budgets with health:				
-0.1	- Substance misuse treatment services	-0.1	-2.6	2.5	-0.1
-0.4	**Total**	**-1.7**	**-6.8**	**6.0**	**-0.8**

We have not included the Youth Justice Service (YJS) in the pooled budgets. The Youth Justice Service is a joint working arrangement and reports to the Youth Justice Board. It is made up of contributions from the police authority, probation services, ConneXions, the health authority and the Youth Justice Board. Our contribution in 2010/2011 was £1.126 million. There were no reserves at the end of the year.

Note 34 Members' allowances

2009/2010 Total £ million		2010/2011 Basic Allowance £ million	Special Allowance £ million	Carers Allowance £ million	Travel and Subsistence £ million	Total £ million
0.850	Elected Members	0.554	0.237	0.000	0.064	0.855
0.027	Independent and co-opted Members	0.000	0.006	0.000	0.010	0.016
0.877	**Total**	**0.554**	**0.243**	**0.000**	**0.074**	**0.871**

Members are not included in the table below because no single member was paid more than £50,000 during the year. Further details of payments to Members is available on our website www.warwickshire.gov.uk.

Note 35 Officers Remuneration

The SORP requires that we must show the number of our staff who are paid more than £50,000 a year. This is shown in the table below. Pay includes salary, redundancy, travel and other costs and leased-car subsidy (where appropriate). These figures do not include employer's pension contribution and exclude those for senior staff who are shown separately.

2009/2010 staff numbers	Remuneration	2010/2011 staff numbers	staff left in the year *	Revised Total
185	£50,000 - £54,999	184	8	176
124	£55,000 - £59,999	137	8	129
45	£60,000 - £64,999	57	8	49
16	£65,000 - £69,999	29	5	24
22	£70,000 - £74,999	30	4	26
9	£75,000 - £79,999	13	4	9
13	£80,000 - £84,999	16	4	12
17	£85,000 - £89,999	18	8	10
1	£90,000 - £94,999	11	3	8
4	£95,000 - £99,999	1	1	0
1	£100,000 - £104,999	5	3	2
0	£105,000 - £109,999	3	3	0
0	£110,000 - £144,999	2	2	0
0	£115,000 - £119,999	2	2	0
0	£120,000 - £124,999	1	1	0
0	£125,000 - £129,999	2	2	0
0	£130,000 - £134,999	0	0	0
0	£135,000 - £139,999	0	0	0
0	£140,000 - £144,999	0	0	0
0	£145,000 - £149,999	1	1	0
0	£150,000 - £154,999	1	1	0
0	£155,000 - £159,999	0	0	0
0	£160,000 - £164,999	0	0	0
0	£165,000 - £169,999	0	0	0
0	£170,000 - £174,999	0	0	0
0	£175,000 - £179,999	0	0	0
0	£180,000 - £184,999	0	0	0
0	£185,000 - £189,000	1	1	0
0	£190,000 - £194,999	0	0	0
0	£195,000 - £199,999	0	0	0
0	£200,000 - £204,999	0	0	0
0	£205,000 - £209,999	1	1	0
437		**515**	**70**	**445**

* This only relates to staff made redundant during the year.

Due to a change in the regulations, the Account and Audit Regulations (Amendment No. 2) (England) Regulations 2009 (SI 2009/3322), we are now required to disclose the remuneration of senior employees, as defined by those regulations, by post for salaries under £150,000 and by name for those whose salary is over £150,000. Remuneration for senior staff includes the employer's contribution to the appropriate pension fund.

2010/2011

Post Holder information (Post Title and Name (if over £150,000 salary))	Notes	Salaries (including fees and Allowances) £	Bonuses £	Expense Allowances £	Compen-sation for loss of office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2010/2011	Pension Contrib- utions £	Total Remuneration including pension contributions 2010/2011 £
Chief Executive - Jim Graham		172,866	0	5,102	0	1,239	179,207	24,893	204,100
Consultant - Adult, Health & Community Services	**1**	67,000	0	558	0	0	67,558	0	67,558
Strategic Director - Adult, Health & Community Services	**2**	48,116	0	161	0	353	48,630	6,929	55,559
Strategic Director - Children, Young People & Families		135,284	0	2,033	0	1,239	138,556	19,481	158,037
Strategic Director - Customers, Workforce & Governance.		127,027	0	318	0	1,239	128,584	18,292	146,876
Strategic Director - Environment & Economy		123,178	0	1,168	0	1,239	125,585	17,738	143,323
Chief Fire Officer	**3**	120,054	0	18,810	0	1,239	140,103	25,572	165,675
Strategic Director - Resources		127,027	0	1,028	0	1,239	129,294	18,292	147,586
Assistant Chief Executive		113,647	0	1,410	0	0	115,057	16,365	131,422
Total		**1,034,199**	**0**	**30,588**	**0**	**7,787**	**1,072,574**	**147,562**	**1,220,136**

Note 1 A Consultant started on 5 April 2010 as Interim Strategic Director - Adult, Health and Community Services until a permanent appointment was made. He left on 31 October 2010.

Note 2 The Strategic Director started 1 November 2010. The annualised salary for 2010/20111 was £115,479.

Note 3 The expenses figure includes a one off payment for relocation expenses.

2009/2010

Post Holder information (Post Title and Name (if over £150,000 salary))	Notes	Salaries (including fees and Allowances) £	Bonuses £	Expense Allowances £	Compen-sation for loss of office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2009/2010 £	Employer's Pension Contrib- utions £	Total Remuneration including pension contributions 2009/2010 £
Chief Executive - Jim Graham		172,866	0	6,350	0	1,170	180,386	23,856	204,242
Strategic Director - Adult, Health & Community Services		128,791	0	1,290	0	1,186	131,267	17,530	148,797
Strategic Director - Children, Young People & Families		135,284	0	1,736	0	1,170	138,190	18,669	156,859
Strategic Director - Customers, Workforce & Governance.		127,027	0	906	0	1,170	129,103	17,530	146,632
Strategic Director - Environment & Economy		119,798	0	1,110	0	1,170	122,079	16,532	138,611
Chief Fire Officer	1	59,382	0	1,014	0	579	60,974	12,648	73,622
Chief Fire Officer	2	80,348	0	10,525	0	0	90,873	12,641	103,514
Strategic Director - Resources		127,027	0	839	0	1,170	129,036	17,530	146,566
Assistant Chief Executive	3	110,095	0	1,456	0	0	111,551	15,193	126,744
Total		**1,060,618**	**0**	**25,226**	**0**	**7,615**	**1,093,459**	**152,129**	**1,245,588**

Note 1 The Chief Fire Officer started 3 October 2009. His annualised salary for 2009/2010 was £120,054.

Note 2 The Chief Fire Officer was paid by Luton and Bedfordshire Fire Authority and seconded to us from 1 February 2009 to 30 September 2009. The costs above include all remuneration paid in total by both bodies.

Note 3 This was a new post from 1 April 2009.

Note 36 External Audit Costs

The authority has incurred the following costs for the year ended 31 March 2011 in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the authority's external auditors.

2009/2010 £ millions	Audit fees	2010/2011 £ millions
0.3	Fees for the external audit services	0.2
0.0	Fees for auditing grant claims and returns	0.0
0.0	Fees for statutory inspection	0.0
0.0	Fees for other services provided by the auditor	0.0
0.3	**Total**	**0.2**

Note 37 Dedicated Schools' Grant

In line with the requirements of the Accounts and Audit (England) Regulations 2006, we can confirm that the Dedicated Schools' Grant received in 2010/2011 was £294.5 million (made under section 14 of the Education Act 2002) and has been fully distributed to support schools' budgets, as set out in the regulations made under sections 45a, 45aa, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of schedule 14 to, the Schools Standards and Framework Act 1998.

Our spending on schools is funded by money from the Department for Education. The grant is ring-fenced, which means we can only use it to meet spending that is included in the schools' budget. The schools' budget includes a limited range of services that are provided across the authority and for the individual school budget which is divided into a budget share for each school. The overspending and underspending on the two parts need to be accounted for separately. We can add to the schools' budget from our own resources, but we did not do so for 2010/2011.

2009/2010 Total £ millions		Central Spending £ millions	Individual schools budget (ISB) £ millions	2010/2011 Total £ millions
285.997	Original DSG grant allocation to schools budget for the current year in our budget	42.817	255.657	298.474
1.522	Adjustment to final allocation	0.698	-4.674	-3.976
287.519	Final DSG due for the year	43.515	250.983	294.498
2.356	DSG brought forward from previous year	5.071	0.000	5.071
0.000	Carry forward of DSG to next year agreed in advance	0.000	0.000	0.000
289.875	Total budgeted DSG distribution for the year	48.586	250.983	299.569
-35.771	Actual central spending for the year	-44.223	0.000	-44.223
-249.033	Actual ISB deployed to schools	0.000	-250.983	-250.983
0.000	Our contribution for the year 2010/2011	0.000	0.000	0.000
5.071	**Over or under spend for the year (carried forward to 2011/2012)**	**4.363**	**0.000**	**4.363**

Central spending above includes other funding allocated as school specific contingencies and nominally held funds and allocations by the school forum. For internal reporting, we split the DSG between those services which are directly controlled and run by us (directorate DSG £0.235 million underspent) and the remainder of DSG (£0.943 million overspent), this with the brought forward of £5.071 million gives the total net underspend to be carried forward of £4.363 million as above.

Note 38 Grant Income

We credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/2011:-

Actual income 2009/2010 Restated £ millions	Grants Income	Awarding department	Actual income 2010/2011 £ millions
	Revenue Grants Credited to Services (cash received in the year)		
287.5	Dedicated Schools Grant	DfE	294.5
11.1	General Sure Start Grant (Early Years)	DfE	14.6
42.5	The Standards Fund	DfE	47.0
23.8	Learning Skills Grant	DfE	23.9
1.5	Asylum seekers	HO	4.1
0.7	Diploma Specific Formula Grant	DfE	0.6
0.3	Youth Opportunity Fund #	DfE	0.0
0.2	Mental Illness - Children	DH	0.2
1.7	The Private Finance Initiative	CLG	1.7
0.9	Other children, young people & families grants		0.7
0.1	Rural bus subsidy, development and partnerships	DfT	0.0
0.0	Education Business Partnership	DfE	0.2
0.0	Emergency Winter Damage	DfT	3.5
0.1	Road Safety and Maintenance Grant	DfT	0.0
0.1	Future Jobs Fund	DWP	0.8
0.3	Other environment and economy grants		0.5
1.7	Social Care Reform	DH	2.2
1.6	Common Assessment Framework	DH	0.0
0.3	Supporting People Programme grant	CLG	0.3
0.1	National Stroke Strategy #	DH	0.0
0.2	Learning Disability Campus Closure Programme #	DH	0.0
3.0	Adult Leaning	DfE	1.7
0.0	Carers Grant	DoH	0.3
0.0	Dementia Demonstrator Sites Grant	DoH	0.1
0.2	Sheltered placement	DWP	0.1
0.5	Drug Intervention Programme	HO	0.4
0.3	Other revenue grants		0.3
378.7	Total Revenue grants		**397.7**

	Capital grants and contributions credited to services:-		
0.5	Playbuilder Capital Grant	DfE	0.6
0.5	Targeted Capital Fund - Practical Cooking Spaces	DfE	0.2
0.0	Targeted Capital Fund - Kitchen and Dining Room	DfE	0.8
0.0	Targeted Capital Fund 14-19 2010/2011	DfE	1.1
2.8	Devolved Formula Capital	DfE	2.9
0.3	Extended Schools	DfE	0.1
0.4	Harnessing Technology	DfE	0.4
1.8	Modernisation	DfE	0.6
0.7	Primary Capital Programme	DfE	1.5
2.3	Sure Start	DfE	2.7
0.9	Waste Capital Infrastructure Grant	DEFRA	0.0
0.3	Private Developer		0.0
1.3	Other Grant / Contribution		1.8
11.8	Total Capital Grants and Contributions		**12.7**
402.8	**Total**		**410.4**

Grants became un-ring fenced in 2010/2011 which means that they can be used to fund general expenditure of the authority and ceased to be credited to the net cost of services.

Actual income 2009/2010 Restated £ millions	Grant Income	Awarding department	Actual income 2010/2011 £ millions
	Credited to Taxation and Non Specific Grant Income - cash received in the year		
0.3	Local Authority Business Growth Initiative Grant	CLG	0.0
10.1	Supporting People Programme grant (now part of ABG)	CLG	0.0
0.0	Youth Opportunity Fund	DfE	0.3
0.0	Learning Disability Campus Closure Programme	DH	0.4
0.0	Animal Health and Welfare Enforcement	DEFRA	0.1
0.0	FIP and Think Family	DfE	0.1
0.0	Early Intervention	DfE	0.1
2.0	Local Area Agreement Reward Grant	CLG	0.9
0.0	National Stroke Strategy	DH	0.1
0.1	HIV/Aids support	DH	0.1
0.1	Fire Control Implementation Grant	CLG	0.1
24.0	Area Based Grant (previously specific grants now funded via ABG)	via CLG	30.9
36.6	**Total Revenue Grants**		**33.1**
	Capital grants and contributions:-		
0.5	Advantage West Midlands	AWM	0.5
0.6	Fire Capital Grant	CLG	0.7
	Transfer of New Dimensions Fire & Rescue assets	CLG	0.6
	Gypsy and Traveller Sites Grant	CLG	0.7
6.0	Devolved Formula Capital	DfE	5.8
0.5	Extended Schools	DfE	0.8
2.7	Harnessing Technology	DfE	1.2
4.1	Modernisation	DfE	1.8
3.2	Primary Capital Programme	DfE	4.2
0.9	Sure Start	DfE	2.4
2.9	Targeted Capital Fund - 14-19 Diplomas and SEN	DfE	3.3
0.6	DfT Transport Asset Management Plan	DfT	0.4
1.8	Local Transport Plan	DfT	0.5
3.0	Common Assessment Framework Grant	DH	0.0
	PCT Grant for Transfer of Learning Disability Homes	DH	4.3
	Social Care Reform Grant	DH	0.3
	Social Care Single Capital Pot	DH	0.3
	Waste Capital Infrastructure Grant	DEFRA	0.3
12.6	Private Developer		3.1
1.8	Other Grant / Contribution		6.0
41.2	**Total Capital Grants**		**37.2**
77.8	**Total**		**70.3**

The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year end are as follows:

31 March 2010 £ millions	Revenue Grants Receipts in Advance	Awarding department	31 March 2011 £ millions
1.4	Common Assessment Framework Demonstrator Grant	DH	0.9
0.2	Supporting people Programme	CLG	0.3
0.3	Consortia Support Grant	DfE	0.0
0.3	Contact Point	DfE	0.0
0.6	Learning Skills Grant	DfE	0.3
0.3	General Sure Start Grant	DfE	0.3
7.3	Standards Fund Grant	DfE	3.7
0.3	Community Transport Grant	DfT	0.2
0.1	Future Jobs Fund	DWP	0.1
0.4	Specific Road Safety Grant	DfT	0.2
0.1	Skills for Jobs Grant	DWP	0.1
0.0	Emergency Winter Damage	DfT	2.4
0.7	Other grants		0.2
12.0	**Total**		**8.7**

31 March 2010 £ millions	Capital Grants Receipts in Advance	Awarding department	31 March 2011 £ millions
12.4	Devolved Formula Capital	DfE	8.6
0.6	Extended Schools	DfE	0.0
1.8	Harnessing Technology	DfE	1.3
1.5	Primary Capital Programme	DfE	2.5
1.2	Targeted Capital Fund - Kitchen and Dining Room	DfE	0.9
0.0	Cookery Capital 2010/11	DfE	0.4
0.7	Targeted Capital Fund - Sports Facilities	DfE	0.6
0.7	Gypsy and Traveller Sites Grant	CLG	0.0
8.9	Private Developer		9.1
0.4	Deposits for Capital Receipts		0.7
2.4	Other Grant / Contribution		3.3
30.6	**Total**		**27.4**

Awarding departments

DfE is the Department for Education.
CLG is Communities and Local Government
HO is the Home Office
DfT is the Department for Transport
DH is the Department of Health

DWP is the Department for Work and Pensions
DEFRA is the Department for Environment, Food and Rural Affairs
AWM is Advantage West Midlands

Note 39 Related Parties & Associated Parties

A number of councillors and senior officers are members of other local organisations (for example, district councils, police authorities and NHS trusts) that we have provided services for or received services from. A number of senior officers and members represent us on the board of related companies (such as Warwick Technology Park Management Limited, Warwick Technology Park Management No 2 Limited, Warwickshire Race Equality Partnership, Warwickshire Environmental Trust, Warwickshire Careers Services Limited, Coventry and Warwickshire Reinvestment Trust Fund, University of Warwick Science Park Limited and University of Warwick Science Park Innovation Centre Limited). You can see registers of members' and officers' interests at Shire Hall, Warwick or at the registered office of the company in question if this is not Shire Hall, Warwick.

Central Government has effective control over our general duties – it is responsible for providing the legal framework within which we work, provides most of our funding in the form of grants and sets the terms of many of the relationships that we have with other organisations. Details of the grants we receive from government departments are set out in note 38 of the notes to the core financial statements.

Other payments to and receipts from other local authorities and public bodies are £29.3 million and £50.8 million respectively. We also paid £33.2 million to the Teachers' Pensions Agency, £97.3 million to the Inland Revenue and £22.6 million to other local authorities and the Public Works Loan Board for loan repayments and interest.

At the end of the year we owed £31.1 million to other local authorities and public bodies including £8.0 million to the inland revenue, and they owed us £17.9 million.

Members of the council have direct control over our financial and operating policies. They must declare any contracts between us and them, including any between those organisations with which they have a financial or contractual interest. A number of members are also appointed to represent us on boards or committees and other bodies with which we are associated. These registers of interest are required to be kept up to date and Members must declare their interests at any committee meeting at which decisions about council business are made.

Senior council officers and staff have declared certain interests in companies and related organisations in their staff register of interests. There are also detailed rules on codes of conduct and tendering procedures (Financial Standing Orders and Contract Standing Orders) and any conflicts of interest must be put forward and as part of these procedures.

During the year, the Pension Fund had an overdrawn balance of £4.0 million with us. We earned a total of £0.014 million in interest. We charged the fund £0.9 million for carrying out the administration work for the fund (not including payroll-processing costs).

We are part of a purchasing partnership, Eastern Shires Purchasing Organisation (ESPO), with six other local authorities. Each authority is represented on the board by three elected members. There are controls in place so that none of our members are involved in letting our contracts. In 2010/2011 we did not received a dividend.

We have not identified any associated companies, subsidiaries or joint ventures which mean we must produce group accounts in 2010/2011 under CIPFA's Accounting Code of Practice.

We no longer have any current trading arrangements with associated companies. In June 2009, we submitted a voluntary application to Companies House for Warwickshire Venture Capital Limited to be dissolved and struck off the register of companies. In September 2009, it was formally dissolved and struck off the register. The company had stopped trading on 30 September 2000 and we no longer had a need for the company to remain in existence.

We own shares in the University of Warwick Science Park Limited (UWSP) jointly with the University of Warwick, Coventry City Council and the West Midlands Enterprise Limited. The company aims to provide a focus for scientific information and technology exchange between university research and the commercial sector. We own 8.6% of the voting shares and £178,200 of 1% debentures. Of the 11 directors, two of them are appointed by us. The value of these shares in our balance sheet is £0.240 million (£0.277 million in 2009/2010). The assets of the company are not included in the income and expenditure account and balance sheet.

We also own shares in the University of Warwick Science Park Innovation Centre Limited jointly with the University of Warwick Science Park Limited. We own less than 20% of the ordinary share capital and 1/6 of the voting rights for this company. Of the six directors, one is appointed by us. We also own £1,502,500 of preference shares. The value of these shares in our balance sheet is £0.364 million (£0.232 million in 2009/2010). The assets of the company are not included in the income and expenditure account and balance sheet.

The following shows information from their latest audited accounts, of which none received a qualified audit opinion.

Financial results	**Accounts for year ending**	
	30 September 2009 £ thousands	**30 September 2008 £ thousands**
University of Warwick Science Park Limited		
Net assets	11,456	13,957
Profit before tax	972	567
Profit after tax	733	411
University of Warwick Science Park Innovation Centre Limited		
Net assets	566	813
Profit before tax	225	281
Profit after tax	161	199

The accounts for 2009/2010 are not yet available.

We own shares in Warwick Technology Park Management Company Limited jointly with Severn Trent Water, Invista Foundation Property Limited, Aviva Life and Pensions limited,

Trustees of Sir Trevor White Charity, Arqiva and Standard Life. We own 4.8% of the share capital. The assets of the company are not included in our income and expenditure account and balance sheet. We also own shares in Warwick Technology Park Management Company (No 2) Limited jointly with the University of Warwick Science Park Limited, Prudential Assurance Company Limited, Wolverhampton City Council and ING (UK) Property Limited. We own 0.2% of the called-up share capital.

The following table shows information from their latest audited accounts, of which none received a qualified audit opinion.

Financial results	**Accounts for year ending**	
	31 March 2010 £	**31 March 2009 £**
Warwick Technology Park Management Company Limited		
Net assets	63	63
Profit/Loss (-) before tax	0	20
Profit/Loss (-) after tax	0	20
Warwick Technology Park Management Company (No 2) Limited		
Net assets	923	923
Profit/Loss (-) before tax	0	45
Profit/Loss (-) after tax	0	45

We have formed a purchasing partnership, Eastern Shires Purchasing Organisation (ESPO), with six other local authorities. Each authority is represented on the management committee by three elected members. There are controls in place so that none of our members are involved in letting our contracts. In 2010/2011 we paid ESPO £2.8 million for goods. Under the terms of the partnership agreement, if ESPO stopped trading we would be liable for any net liabilities or to receive a share of the net assets based either on the average of our last three years' purchases compared to our other six partners, or a one-seventh share. The actual shares would be agreed by all the partners. If no agreement could be reached, the one seventh share rule would apply.

The following table shows information from their latest audited accounts, of which none received a qualified audit opinion.

Financial results	Accounts for year ending	
	31 March 2010 £ thousands	31 March 2009 £ thousands
ESPO		
Net assets	4,891	3,476
Income	17,025	16,624
Surplus/Loss (-) for the year	1,413	-1,952

The total amount of invoiced sales for ESPO-managed contracts was £89.1 million for 2009/2010 (£90.5 million in 2008/2009).

A company called SCAPE System Build Limited was set up in December 2005 with five other local authorities (each authority has a director on the board). This company will continue the activities of the Consortium of Local Authorities Special Programme and build commercial buildings, originally set up in 1957/1958. This company is a controlled company for the purposes of the Local Government and Housing Act 1989. Under section 73 of that Act, companies may be regarded as under the control of each of a group of authorities, even though they are not under the control or influence of any one of them. We own 75,000 £1 shares (16.7% of share capital). The value of this holding is small and there are conditions on the shares that prevent them being traded on the open market, consequently since the fair value cannot be measured reliably no value is carried on the Balance Sheet.

Financial results	Accounts for year ending	
	31 March 2010 £ thousands	31 March 2009 £ thousands
SCAPE System Build Limited		
Net assets	554	438
Income	966	630
Surplus/Loss (-) for the year	112	87

In reviewing the treatment of the above companies in our accounts we have concluded that ESPO and SCAPE System Build Limited meet the criteria to be considered a JANE (Joint Authority Not an Entity). However, we have not consolidated the assets and liabilities of these organisations into our accounts as our share of their balance sheet would not be considered material.

You can get copies of the accounts for the above companies by calling Navdip Sodhi on 01926 418174 or emailing navdipsodhi@warwickshire.gov.uk.

The Council had set up a company, West Midlands Fire and Rescue Services Regional Control Centre Limited with four other fire authorities. This was part of the national Fire Control project which was working towards the migration of English fire and rescue control functions into nine regional control centres, one of these centres being within the West Midlands region.

The centre was to be operated by a Local Authority Controlled Company (LACC) of which the five regional Fire and Rescue Services are Members. The company was incorporated on 19 February 2007. Any set-up costs were met by the Government. The Coalition Government has since terminated the project and the Company is currently dormant with the intention that it is eventually dissolved.

At 31 March 2011 the company held no material assets or liabilities and in 2010/2011 incurred expenditure of around £0.729 million all of which was funded by government grant paid to West Midlands Fire Service.

None of these transactions are included in our accounts.

In 2008/2009 a partnership arrangement was set up with Coventry City Council and Solihull Metropolitan Borough Council to work together for mutual benefit in the area of waste management and waste disposal. PFI credits were sought for a joint residual waste procurement and granted in June 2009. However, this funding was lost when the Coalition Government announced cuts to major projects which meant the project was not viable and as a consequence the project was closed.

Warwickshire County Council has been working in partnership with Staffordshire County Council on their project – Project W2R to deliver a residual waste treatment facility to be located in Staffordshire.

The project is to deliver an Energy for Waste (EfW) plant to be built in Staffordshire. Staffordshire County Council is the lead authority on Project W2R and Warwickshire, along with Walsall Council and Sandwell Council, will input waste into the Project W2R facility from 2013.

Staffordshire will be entering into the PFI Contract with the successful bidder (The Project Agreement). The partners are required by Defra and the Treasury's Project Review Group (PRG) to enter into 'back to back' agreements in the form of the IAA (inter authority agreement). Warwickshire have agreed the IAA in principle. The IAA is a legally binding agreement, in which the partners' cost and risk allocations, general liability and contract management arrangements are set out. Warwickshire did not pay any money to Project W2R in 2010/2011.

Note 40 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance lease), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/2010 £ millions	Capital financing requirement (IFRS)	2010/2011 £ millions
329.2	Opening requirement	357.7
	Capital investment	
84.8	- Property, Plant & Equipment	70.5
0.1	- Intangible assets	0.9
0.0	- Investment Properties	0.0
15.7	- Revenue spending from Capital Under Statute	17.7
100.6	Total capital investment	89.2
	Sources of finance	
-0.4	- Capital receipts	-5.3
-50.8	- Government grants and other contributions	-44.7
	- Sums set aside from revenue:	
-4.7	- Direct revenue contributions	-5.1
-16.2	- MRP/loans fund principal	-17.7
-72.1	Total sources of income	-72.8
357.7	**Closing capital financing requirement**	**374.1**

2009/2010 £ millions	Explanation of Movements in the year	2010/2011 £ millions
20.4	Increase in underlying need to borrowing (supported by government financial assistance)	17.8
8.1	Increase in underlying need to borrowing (unsupported by government financial assistance)	-1.4
0.0	Assets acquired under finance lease	0.0
28.5	**Increase/(decrease) in Capital Financing Requirement**	**16.4**

2009/2010 £ millions	Where the money for our capital spending came from	2010/2011 £ millions
44.7	Borrowing	34.1
50.8	Grants and money from other organisations	44.7
0.4	Selling assets	5.3
0.0	From our capital fund	0.0
4.7	From our revenue spending	5.1
100.6	**Total**	**89.2**

2009/2010 £ millions	Funding Analysis	2010/2011 £ millions
84.9	Assets we own	71.5
15.7	Assets we don't own	17.7
100.6	**Total**	**89.2**

Note 41 Leases

Authority as Lessee

Finance Leases

The Council has acquired some equipment under finance leases. The assets acquired under these leases are carried as Property, Plant & Equipment in the Balance Sheet at the following net amounts:

31 March 2010 £ million	Assets held under finance leases	31 March 2011 £ million
0.400	Vehicles, plant, furniture and equipment	0.343
0.000	Land and Buildings	0.000
0.400	**Total**	**0.343**

The authority is committed to making minimum payments under these leases comprising the settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:-

31 March 2010 £ million	Assets held under finance leases	31 March 2011 £ million
	Finance Lease liabilities (net present value of minimum lease payments):	
0.392	~ Current	0.074
0.000	~ non-current	0.248
0.297	Finance costs payable in future years	0.041
0.689	**Total minimum lease payments**	**0.363**

The minimum lease payments will be payable over the following periods:

Minimum Lease Payments 31 March 2010 £ million	Finance Lease Liabilities 31 March 2010 £ million		Minimum Lease Payments 31 March 2011 £ million	Finance Lease Liabilities 31 March 2011 £ million
0.139	0.070	Not later than 1 year	0.091	0.074
0.550	0.322	Later than 1 year and not later than 5 years	0.272	0.248
0.000	0.000	Later than 5 years	0.000	0.000

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. None of our leases are subject to contingent rents.

Operating Leases

The authority has acquired a number of buildings, vehicles and items of equipment by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011 £ million
Not later than 1 year	2.3
Later than 1 year and not later than 5 years	4.3
Later than 5 years	7.3
Total	**13.9**

We do not sub-let any assets acquired under operating leases.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2011 £ million
Minimum Lease payments	1.8
Contingent rents	0.8
Sublease payments receivable	-0.1
Total	**2.5**

Authority as Lessor

Finance Leases

The authority does not have any finance leases as lessor.

Operating Leases

The authority leases out property under operating leases for the following purposes:

- For the provision of community services, such as community centres, homes for the elderly and disabled nurseries
- For economic development purposes to provide accommodation for local businesses
- For the support of rural businesses to support smallholdings and farming
- To individuals for personal and business use

The future minimum lease payments receivable under non-cancellable leases in future years are:-

31 March 2010 £ million		31 March 2011 £ million
2.0	Not later than 1 year	2.3
5.1	Later than 1 year and not later than 5 years	5.5
8.9	Later than 5 years	8.3
16.0	**Total**	**16.1**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/2011 £0.8 million contingent rents were receivable by the authority.

Note 42 PFI and similar contracts

There are no assets recognised on our Balance Sheet under private finance initiative (PFI) arrangements. This treatment has been agreed with our auditors.

The Warwickshire e-learning community project, known as We-learn, is one of four DfES Pathfinder Projects aimed at raising educational standards through the use of information and communication technology (ICT). This eight-year project was signed on 31 March 2004. It involves 139 primary schools and 33 secondary schools across the county. We will receive over £12.0 million in private finance initiative (PFI) grant. The commitment to make future payments to the service provider will depend on them meeting key performance targets but we expect to pay around £2.2 million between 1 April 2011 and the end of the contract in 2012.

Note 43 Impairment Losses

During the year the authority has not incurred any impairment losses.

Note 44 Capitalisation of Borrowing Costs

The authority did not capitalise any borrowing costs in 2010/2011 or 2009/2010.

Note 45 Termination Benefits

The authority terminated the contracts of a number of employees during 2010/2011, incurring redundancy payment liabilities to individuals of £4.3 million (£0.4 million in 2009/2010). Of this total none relates to senior staff as shown in Note 35. The £4.3 million is payable to 219 officers who have been made redundant as part of on-going savings and efficiency plans.

Note 46 & 47 Pension Scheme

IAS 19 Accounting for pension costs: local authorities (In this section the figures in brackets are the figures for 2009/2010.)

This note applies as well as note 24 on Reserves on page 67. This note provides the information we must give under IAS 19 (previously FRS 17). The purpose of IAS19 is to account for pension benefits when we become committed to give them rather than when we actually pay them. The movement in reserves shows the gain or loss to the pension fund reserve as a result of differences between expected and actual returns on assets for the LGPS, the Firefighters' Pension Scheme, the Firefighters Injury Awards Scheme and the Discretionary Teachers' Scheme.

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in three pension schemes and one compensation scheme:

~ the Local Government Pension Scheme

~ the teachers pension scheme

~ the firefighters pensions scheme

~ the firefighters injury awards scheme

Teachers

We operate a defined benefit pension scheme for our teaching staff, under the Superannuation Act 1972. The Teachers' Pensions Agency (TPA) manages the scheme under the Teachers' Pensions Regulations 1997, as amended. The scheme provides teachers with a defined benefit when they retire. Although we employ teachers, their retirement and superannuation benefits are paid out of money provided by the Government. The Government sets teachers' and employers' contribution rates and reviews these at least every five years. The teachers' pension scheme is a defined benefit scheme. Although the scheme is unfunded, the TPA uses an assumed fund to work out the contribution rate that local education authorities must pay. However, it is not possible for us to identify which of the scheme's liabilities are for our own employees. For these financial statements and in line with IAS19, we have worked out these figures in the same way as a defined contribution scheme.

The last actuarial valuation of the Teachers' Pension Agency (for all teachers) was for the period 1 April 2001 to 31 March 2004. The Government Actuary's (GA) report of March 2003 revealed that the total liabilities of the scheme (pensions currently being paid and the estimated cost of future benefits) amounted to £166.5 billion. The value of assets (estimated future contributions, together with the proceeds from the notional investments held at the valuation date) was £163.2 billion. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

No contributions for the teachers' pension scheme needed to be paid at the end of the financial year.

We class the teachers' pension scheme as a defined contribution scheme under IAS19. However, we are responsible for paying any extra added years of benefits and early retirement costs to pensioners. Under IAS19, these extra costs are classed as defined benefits. As a result, in our accounts we need to show the extra cost of pensions decisions we made in the current year, no matter when we will actually pay these financial costs.

Under the accounting standard arrangements for IAS19, we must show liabilities at the date of the balance sheet. There is no fund for teachers' discretionary benefits and so there are no assets. The Government Actuary's Department has worked out how much we will pay using the following assumptions.

On 31 March 2010	Assumptions	On 31 March 2011
	Financial assumptions:-	
3.2%/3.2%	~ Rate of Inflation RPI/CPI	3.3%/2.8%
3.2%	~ Pensions increases	2.8%
5.5%	~ Rate of discount	5.4%
	Post retirement mortality assumptions:-	
PA92mc YOB Tables+1yr	~ Current pensioners	See note
	Life expectancy assumptions:-	
21.2 (24.1) years	~ A male (female) current pensioner aged 65	22 (23.7) years

The tables referred to in the assumptions reflect the actuary's opinion on the life expectancy of people once they have retired.

On this basis, the balance sheet liability is -£42.0 million (-£44.8 million for 2009/2010). The shortfall has decreased by £2.8 million. The movement in the shortfall is made up as shown below (see the glossary on page 147 onwards for the definition of terms used below).

On 31 March 2010 £ millions	Teachers Pension Scheme - change in present value of scheme liabilities during the year	On 31 March 2011 £ millions
37.7	Benefit obligation at the beginning of the year	44.8
2.5	Interest on pensions liabilities	2.4
6.9	Actuarial gains/losses on liabilities	0.0
0.0	Past Service Cost (Gain)	-2.4
0.8	Curtailments	0.2
-3.1	Benefits/transfers paid	-3.0
44.8	**Present value of liabilities at the end of the year**	**42.0**

The liability arising from the IAS19 calculations is notional and has no direct effect on our reserves or the employer's contributions. As the scheme is unfunded, we pay the pensions as they become due in the year.

We pay over the employees' and employer's contributions to the Government. Also, we must pay any costs relating to early retirement. In 2010/2011, early retirement costs were £0.017 million (£0.1 million in 2009/2010). There are two kinds of contributions – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability for that teacher's service. We would pay a supplementary contribution if we found that future liabilities would not be met by the normal contributions. For the normal contribution in 2010/2011, teachers paid 6.4% of their salary and we paid 14.1% of teachers' salaries. A supplementary contribution is not needed at the moment. The total employers' contribution cost was £21.4 million in 2010/2011 (£19.1 million in 2009/2010). This was 14.1% (14.1% in 2009/2010) of teachers' salaries.

We are also responsible for all pension payments relating to added pensionable years we have awarded, together with the related increases. In 2010/2011, these came to £3.1 million (£3.1 million in 2009/2010) and represented 3.0% (2.6% in 2009/2010) of pensionable pay. We must also pay any costs relating to employees retiring early. In 2010/2010, these retirement costs were £0.017 million (£0.2 million in 2009/2010). Under IAS19, we class these benefits as defined contribution and so the requirements of IAS19 apply.

Under IAS19, we show the cost of retirement benefits in 'Money spent on services' in the income and expenditure account when employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in the Movement In Reserves Statement so that the charge made against Council Tax reflects the actual cash we have paid relating to the year.

2009/2010 £ millions	Discretionary teachers' pension scheme	2010/2011 £ millions
	Money spent on services	
0.0	~ current service cost	0.0
0.8	~ past service cost and curtailments	-2.2
	Total net spending	
2.5	~ interest cost	2.4
3.3	**Net Charge to Income & Expenditure Account**	**0.2**
	Amount to be met from government grants and local taxpayers	
-7.1	~ movement on the Pensions Reserve	2.8
6.9	~ less actuarial gains or losses	0.0
-0.2	contribution to or from (-) the pensions reserve	2.8
	Actual amount charged against Council Tax for pension in the year	
3.1	~ retirement benefits paid or due to be paid to pensioners	3.0
	Movement in Reserves Statement	
-3.3	~ reversal of net charges made for retirement benefits in accordance with FRS17	-0.2
3.1	~ retirement benefits paid or due to be paid to pensioners	3.0
-0.2		**2.8**

The table on page 101 shows details of the assumptions we have made when estimating the figures included in this note. The movement in reserves (note 24 on page 67) sets out the actuarial gains and losses made in 2010/2011.

The Firefighters' Pension Scheme

There is a defined-benefit pension scheme for our firefighters, under the Superannuation Act 1972. Communities and Local Government is responsible for the legislation and regulations governing the scheme.

The Firefighters' Pension Scheme in England is an unfunded scheme where the employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due. We are required to pay an employer's pension contribution based on a percentage of pay into the pension fund. Each Fire and Rescue authority must now run a pension fund and the amounts that must be paid into and out of the pension fund are set by regulation. The scheme has no investment assets.

Under these arrangements the pension fund will be balanced to nil at the end of the year by either paying over to the sponsoring government department the amount by which the amount receivable by (due to) the fund is more than the amount payable, or by receiving cash in the form of pension top-up grant from the sponsoring government department equal to the amount by which the amount payable from (owed by) the pension fund for the year is more than the amount receivable. This grant is paid to the Firefighters Pension Fund and not the County Council.

We pay firefighters' retirement and superannuation benefits and they are charged to the Firefighters' Pension Fund.

The employees' and employers' contribution rates are set by the Government and this is currently 11.0%/8.5% (employees old scheme/new scheme) and 21.3%/11.0% (employers old scheme/new scheme) of firefighters' pay. In 2010/2011, pension payments totalled £4.5 million (£4.3 million in 2009/2010) and this was 41.5% (41.3% in 2009/2010) of pensionable pay. We must pay any costs relating to early retirement. There were no costs in 2010/2011.

Under the accounting standard arrangement for IAS19, we must show liabilities at the date of the balance sheet. The liabilities have been worked out by the Government Actuary's Department using the following actuarial assumptions.

On 31 March 2010	Assumptions	On 31 March 2011
	Financial assumptions:-	
3.9%/3.1%	~ Rate of Inflation RPI/CPI	3.8%/3.0%
5.4%	~ Salary increases	5.3%
3.9%	~ Pensions increases	3.1%
5.8%	~ Rate of discount	5.7%
	Post retirement mortality assumptions:-	
PA00-08 C=2050	~ Non retired members (retiring in future in normal health)	PA00-08
PA00-08 U=2010 (x+1)	~ Current pensioners	PA00-08
	Life expectancy assumptions:-	
26.2 (28.0)	~ A male (female) future pensioner aged 65 in 20 years time	26.3 (28.0)
23.3 (25.2)	~ A male (female) current pensioner aged 65	23.4 (25.3)

The tables referred to in the assumptions reflect the actuary's opinion on the life expectancy of people once they have retired.

On this basis, the balance sheet liability is -£166.3 million (-£181.5 million in 2009/2010). The shortfall has decreased by £15.2 million. The movement in the shortfall is reconciled as follows (see glossary on page 147 onwards for the definition of terms used below).

On 31 March 2010 £ millions	Fire Pension Scheme - change in present value of scheme liabilities during the year	On 31 March 2011 £ millions
124.0	Benefit obligation at the beginning of the year	181.5
2.2	Current service cost	3.8
8.5	Interest on pensions liabilities	9.6
0.9	Member contributions	0.9
0.0	Past service costs	-18.9
-3.7	Actuarial gains/losses on liabilities	-3.4
-5.2	Benefits/transfers paid	-5.6
54.8	Actuarial loss on assumptions	-1.6
181.5	**Present Value of liabilities at the end of the year**	**166.3**

The liability arising from the IAS19 calculations is notional (no cash is actually transferred) and has no direct effect on our reserves or the employer's contribution in the current year. As the scheme is not funded, we pay the pensions as they become due. We value liabilities in terms of their present cost.

Under IAS19, we show the cost of retirement benefits in 'Money spent on services' in the income and expenditure account when employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in the Movement in Reserves Statement so that the charge made against Council Tax reflects the actual cash we have paid relating to the year.

We have made the following transactions in the income and expenditure account during the year.

2009/2010 £ millions	Firefighters' pension scheme	2010/2011 £ millions
	Money spent on services	
-2.2	~ current service cost	-3.8
0.0	~ past service cost	18.9
	Total net spending	
-8.5	~ interest cost	-9.6
-10.7	**Net Charge to Income & Expenditure Account**	**5.5**
	Amount to be met from government grants and local taxpayers	
-57.5	~ movement on the Pensions Reserve	15.2
51.1	~ less actuarial gains or losses	-5.0
-4.3	~ funded by Government top up grant	-4.7
-10.7	**contribution from (-) the pensions reserve**	**5.5**
	Actual amount charged against Council Tax for pension in the year	
1.8	~ employers contributions and ill-health contributions	1.8
	Amount Funded by Government top Up Grant	
5.2	~ retirement benefits paid and due to be paid to pensioners and transfers out	5.6
-0.1	~ transfers in	0.0
-0.9	~ employee contributions	-0.9
-1.8	~ employers contributions and ill-health contributions	-1.7
2.4	**Government Top up Grant Receivable**	**3.0**
	Movement in Reserves Statement	
-15.9	~ reversal of net charges made for retirement benefits in accordance with FRS17	-0.1
5.2	~ retirement benefits paid or due to be paid to pensioners and transfers out	5.6
-10.7		**5.5**

In 2010/2011, the net cost of pensions (after including employees' contributions) was £4.5 million (£4.3 million in 2009/2010) representing 41.5% (41.3% in 2009/2010) of pensionable pay. The table on page 103 shows details of the assumptions we have made when estimating the figures included in this note. The movement in reserves (note 24 on page 67) sets out the actuarial gains and losses made in 2010/2010.

Firefighters Injury Awards Scheme

On 1 April 2006 the firefighters' injury awards ceased to be a firefighters' pensions liability and ongoing costs were to be financed from the authority's revenue account. We recognised that

there was an ongoing liability to pay injury awards but these were not included in our balance sheet. However, under the review for treatment of employment benefits under IFRS we have now been advised that we should treat these awards as pension scheme benefits and have restated our balance sheet at 1 April 2009 and 31 March 2010 accounts accordingly.

Need paragraph regarding details of the scheme and funding etc.

Under the accounting standard arrangement for IAS19, we must show liabilities at the date of the balance sheet. The liabilities have been worked out by the Government Actuary's Department using the following actuarial assumptions.

On 31 March 2010	Assumptions	On 31 March 2011
	Financial assumptions:-	
3.9%/3.1%	~ Rate of Inflation RPI/CPI	3.8%/3.0%
5.4%	~ Salary increases	5.3%
3.9%	~ Pensions increases	3.1%
5.8%	~ Rate of discount	5.7%

On this basis, the balance sheet liability is -£16.9 million (-£18.6 million in 2009/2010 restated). The shortfall has decreased by £1.7 million. The movement in the shortfall is reconciled as follows (see glossary on page 147 onwards for the definition of terms used below).

On 31 March 2010 Restated £ millions	Fire Pension Scheme - change in present value of scheme liabilities during the year	On 31 March 2011 £ millions
12.7	Benefit obligation at the beginning of the year	18.6
0.2	Current service cost	0.2
0.9	Interest on pensions liabilities	0.9
0.0	Member contributions	0.0
0.0	Past service costs	-2.0
2.1	Actuarial gains/losses on liabilities	0.4
-0.5	Benefits/transfers paid	-0.5
3.2	Actuarial loss on assumptions	-0.7
18.6	**Present Value of liabilities at the end of the year**	**16.9**

The liability arising from the IAS19 calculations is notional (no cash is actually transferred) and has no direct effect on our reserves or the employer's contribution in the current year. As the scheme is not funded, we pay the awards as they become due. We value liabilities in terms of their present cost.

Under IAS19, we show the cost of retirement benefits in 'Money spent on services' in the income and expenditure account when employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in the Movement in

Reserves Statement so that the charge made against Council Tax reflects the actual cash we have paid relating to the year.

We have made the following transactions in the income and expenditure account during the year.

2009/2010 Restated £ millions	**Firefighters' Injury Awards scheme**	**2010/2011 £ millions**
	Money spent on services	
-0.2	~ current service cost	-0.2
0.0	~ past service cost	2.0
	Total net spending	
-0.9	~ interest cost	-0.9
-1.1	**Net Charge to Income & Expenditure Account**	**0.9**
	Amount to be met from government grants and local taxpayers	
-5.9	~ movement on the Pensions Reserve	1.7
-5.3	~ less actuarial gains or losses	-0.3
-11.2	**contribution from (-) the pensions reserve**	**1.4**
	Actual amount charged against Council Tax for awards in the year	
0.0	~ employers contributions	0.0
	Movement in Reserves Statement	
-11.7	~ reversal of net charges made for retirement benefits in accordance with FRS17	0.9
0.5	~ retirement benefits paid or due to be paid to pensioners and transfers out	0.5
-11.2		**1.4**

The table on page 106 shows details of the assumptions we have made when estimating the figures included in this note. The movement in reserves (note 24 on page 67) sets out the actuarial gains and losses made in 2010/2011.

Local Government Pension Scheme - other employees

We operate a funded, defined-benefit pension scheme for our staff, under the Superannuation Act 1972 and the Local Government Regulations 1995. We manage the scheme for ourselves, the five district councils and 56 other organisations. We prepare the accounts in line with the CIPFA Code of Practice and they are separate from our financial statements.

The scheme provides pensions and other retirement benefits for employees, based on final salaries. The yearly funding cost of these pensions is based on valuations the fund's actuary makes every three years. Our costs are covered by both our and our staff's contributions.

Under IAS19, we show the cost of retirement benefits in 'Money spent on services' in the income and expenditure account when the employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in the Movement in Reserves Statement so that the charge against Council Tax reflects the actual cash we have paid in employer's contributions relating to the year.

In 2010/2011, the contribution rates were based on the results of the 31 March 2007 actuarial valuation. As a result, our employer's contribution rate was 222% of the employees' contribution (217% for 2009/2010).

In 2010/2011, we made normal employer's contributions totalling £21.4 million (£20.0 million in 2009/2010). This was 14.4% of pensionable pay (13.8% in 2009/2010).

The accounting standard International Accounting Standard 19 (IAS19) says we must show our assets and liabilities at the date of the balance sheet. These are taken at market value and the liabilities have been worked out using the following assumptions.

On 31 March 2010	Actuarial assumptions	On 31 March 2011
	Financial assumptions:-	
3.3%/2.8%	~ Rate of Inflation RPI/CPI	3.4%/2.9%
5.05%	~ Salary increases	4.90%
3.3%	~ Pensions increases	2.9%
5.6%	~ Rate of discount	5.5%
	Post retirement mortality assumptions:-	
PA92mc YOB Tables+1yr	~ Non retired members (retiring in future in normal health)	See text
PA92mc YOB Tables+1yr	~ Current pensioners	See text
	Life expectancy assumptions:-	
22.2 (25.0)	~ A male (female) future pensioner aged 65 in 20 years time	22.9 (26.0)
21.2 (24.1)	~ A male (female) current pensioner aged 65	22 (23.7)
	Commutation of pension for lump sum at retirement:-	
50.0%	~ Taking maximum cash	50.0%
50.0%	~ Taking 3/80ths cash	50.0%

The post retirement mortality assumptions reflect the actuary's opinion on the life expectancy of people once they have retired, this years assumptions are:

<u>Non retired members</u>:
Males – 104% S1PMA CMI_2009_M [1%]
Females – 94% S1PFA CMI_2009_F [1%]

<u>Retired members:</u>
Males – 98% S1PMA CMI_2009_M [1%]

Females – 102% S1PFA CMI_2009_F [1%]

The assets of the scheme are split as follows.

On 31 March 2010 £ millions	Assets of the Local Government Pension Scheme split between investment categories	On 31 March 2011 £ millions
386.6	Equities	423.8
51.9	Government Bonds	32.1
75.0	Other Bonds	83.5
23.1	Property	64.2
11.5	Cash	6.4
28.9	Other (fund of hedge funds)	32.1
577.0	**Total**	**642.1**

The expected rate of return over the following years is as follows.

On 31 March 2010 % a year	Expected rates of return on assets	On 31 March 2011 % a year
7.5	Equities	7.5
4.5	Government Bonds	4.4
5.2	Other Bonds	5.1
6.5	Property	6.5
0.5	Cash	0.5
7.5	Other (fund of hedge funds)	7.5

Our assets and liabilities for retirement benefits for the Local Government Pension Scheme as at 31 March 2011 are as follows.

On 31 March 2010 £ million	Local Government Pension Scheme	On 31 March 2011 £ million
577.0	Fair Value of Assets	642.1
-913.2	Present Value of Liabilities	-878.4
-336.2	**Shortfall**	**-236.3**

On 31 March 2010 £ millions	Local Government Pension Scheme	On 31 March 2011 £ millions
1,000.8	Market Value of total fund assets at last valuation as at 31 March 2007 (Total Fund)	1,000.8
1,099.3	Market Value of total fund assets as at 31 March (Total Fund)	1,179.0
146.8	Actual return on scheme assets (Warwickshire County Council)	42.8

The shortfall has decreased by £99.9 million. The movement in the shortfall is reconciled over the page. (See the glossary on page 147 onwards for the definition of terms used.)

On 31 March 2010 £ millions	Local Government Pension Scheme - change in present values of liabilities during the year	On 31 March 2011 £ millions
649.5	Benefit obligation at the beginning of the year	913.2
17.4	Current service cost	27.6
46.2	Interest on pensions liabilities	51.4
9.4	Member contributions	9.5
0.8	Past service costs	-54.7
214.0	Actuarial gains (-)/losses on liabilities	-41.3
0.4	Curtailments	0.4
-24.5	Benefits/transfers paid	-27.7
913.2	**Present value of liabilities at the end of the year**	**878.4**

On 31 March 2010 £ millions	Local Government Pension Scheme - change in fair value of scheme assets during the year	On 31 March 2011 £ millions
423.0	Fair value of assets at the beginning of the year	577.0
27.0	Expected return on assets	36.8
119.7	Actuarial gains/(losses) on assets	23.4
22.4	Employers' contributions (including receipts covering early retirements)	23.1
9.4	Member contributions	9.5
-24.5	Benefits/transfers paid	-27.7
577.0	**Fair value of assets at the end of the year**	**642.1**

There were actuarial gains as a result of a difference between expected and actual returns on assets. There were actuarial losses due to the differences between the actuary's assumptions and the actual charges for liabilities, demographic (for example, life expectancy) or financial factors. The actuarial gain on assets amounted to 3.6% of the value of the assets at 31 March 2011.

Local Government Pension Scheme - history of experience gains and losses	On 31 March 2006 £ millions	On 31 March 2007 £ millions	On 31 March 2008 Restated £ millions	On 31 March 2009 £ millions	On 31 March 2010 £ millions	On 31 March 2011 £ millions
Differences between the expected and actual return on assets	67.4	-4.1	-53.7	-135.9	119.7	23.4
Experience gains and losses on liabilities	-15.0	0.0	3.0	0.0	0.0	39.7

The actuarial valuation is carried out by law every three years. It takes a long-term view and assesses the ability of the fund to meet its future liabilities. The actuary assesses the difference between the fund's projected assets and liabilities and works out the amount employers will have to contribute for the next three years. So, the valuation on 31 March 2007 set the rates for 2008/2009, 2009/2010 and 2010/2011. The fund aims to set employers' contribution rates so that the projected assets equal at least 100% of the projected liabilities.

The actuarial valuation that relates to the employers' contribution rate for 2010/2011 took place as at 31 March 2007. At the last valuation, the funding level was 86%. As a result, the employers' rate increased from 1 April 2011 from 13.8% to 14.4%.

The value of the pension fund assets at 31 March 2011 is based on the market value at 31 December 2010. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the balance sheet date. Information that became available after 31 March 2011 showed that the market value of investment was approximately 0.01% higher than stated in the accounts, so the IAS19 pension deficit may actually be lower than shown.

We have made the following transactions in the income and expenditure account during the year.

2009/2010 £ millions	Local Government Pension Scheme	2010/2011 £ millions
	Money spent on services	
-17.4	~ current service cost	-27.6
-0.8	~ past service cost	54.7
-0.4	~ curtailment costs	-0.4
	Total net spending	
-46.2	~ interest cost	-51.4
27.0	~ expected return on assets	36.7
-37.8	**Net Charge to Income & Expenditure Account**	**12.0**
	Amount to be met from government grants and local taxpayers	
-109.7	~ movement on the Pension Reserve	99.9
94.3	~ less actuarial gains or losses	-64.7
-15.4	~ contribution to or from (-) the pensions reserve	**35.2**
	Actual amount charged against Council Tax for pension in the year	
22.4	~ total employer's contribution	23.2
	Movement in Reserves Statement	
-37.8	~ reversal of net charges made for retirement benefits in accordance with FRS17	12.0
-15.4		**35.2**

In 2010/2011, we paid a normal employer's contribution of £21.4 million (£20.0 million in 2009/2010) into the pension fund. This was 14.4% (13.8% in 2009/2010) of pensionable pay. The fund's actuary sets the contribution rate based on valuations every three years. The last review was as at 31 March 2007 and changed contribution rates from 1 April 2008.

We are responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2010/2011, these came to £1.3 million (£1.3 million in 2009/2010), which was 0.1% (0.2% in 2009/2010) of pensionable pay. The table on page 108 gives details of the assumptions we have made when estimating the figures included in this note. The movement in reserves (note 24 on page 67) gives details of the actuarial gains and losses made in 2010/2011.

For more information, please contact Mathew Dawson on 01926 412861 (email mathewdawson@warwickshire.gov.uk) for a copy of our Pension Fund's Annual Report 2010/2011.

Scheme History:

Scheme History	On 31 March 2006 £ millions	On 31 March 2007 £ millions	On 31 March 2008 Restated £ millions	On 31 March 2009 £ millions	On 31 March 2010 £ millions	On 31 March 2011 £ millions
Present Value of Liabilities:-						
~ Local Government Pension Scheme	-661.9	-675.2	-753.7	-649.5	-913.2	-878.4
~ Teachers Pension Scheme	-40.4	-40.2	-43.4	-37.7	-44.8	-42.0
~ Firefighters Pension Scheme	-168.9	-152.6	-131.3	-124.0	-181.5	-166.3
~ Firefighters Injury Awards scheme				-12.7	-18.6	-16.9
Total Present Value of Liabilities:-	**-871.2**	**-868.0**	**-928.4**	**-824.0**	**-1,158.1**	**-1,103.6**
Fair Value of Assets in the Local Government Pension Scheme	**496.0**	**529.2**	**515.3**	**423.0**	**577.0**	**642.1**
Surplus/(Deficit) in the Scheme:-						
~ Local Government Pension Scheme	-165.9	-146.0	-238.4	-226.5	-336.2	-236.3
Total Surplus/Deficit	**-375.2**	**-338.8**	**-413.1**	**-401.0**	**-581.1**	**-461.5**

The Council has elected not to restate fair value of scheme assets for 2004/2005, 2005/2006 and 2006/2007 as permitted by IAS19.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £461.5 million has a substantial effect on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £434.7 million.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:-

- The deficit on the Local Government pensions Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- finance is provided for the firefighters pensions scheme by the government for amounts paid over and above that paid by us and by the funds members as they are paid;
- finance is provided by the Teachers Pensions Agency;
- firefighters injury awards are financed through revenue budgets.

The following table shows the actuarial gains and losses for each of the funds for the year and the cumulative actuarial gains and losses from 2003/2004 when FRS 17 (now IAS19) was applied to our accounts and included in the Comprehensive Income and Expenditure Statement (previously included in the Statement of Total Recognised Gains and Losses (STRGL)).

LGPS	Difference between actual and expected return on assets		Difference between assumptions and actual experience on liabilities		Changes in assumptions used to estimate liabilities		Total
	£ millions	%	£ millions	%	£ millions	%	£ millions
2003/2004	53.0	14.7	0.0	0.0	0.0	0.0	53.0
2004/2005	9.7	2.4	-10.8	1.9	-96.7	16.9	-97.8
2005/2006	67.6	13.6	-15.0	2.3	-51.6	7.8	1.0
2006/2007	-4.1	0.8	0.0	0.0	33.9	5.0	29.8
2007/2008	-55.4	10.7	4.5	0.6	-27.3	3.6	-78.2
2008/2009	-136.0	32.1	165.5	25.5	0.0	0.0	29.5
2009/2010	119.7	20.8	-214.0	23.4	0.0	0.0	-94.3
2010/2011	23.4	3.6	41.3	4.7	39.7	4.5	104.4
Total cumulative actuarial gains and losses							**-52.6**

Fire	Difference between actual and expected return on assets		Difference between assumptions and actual experience on liabilities		Changes in assumptions used to estimate liabilities		Total
	£ millions	%	£ millions	%	£ millions	%	£ millions
2003/2004	0.0	0.0	-8.6	0.1	-15.8	0.2	-24.4
2004/2005	0.0	0.0	8.5	6.4	-28.6	21.5	-20.1
2005/2006	0.0	0.0	-4.7	2.8	-24.1	14.3	-28.8
2006/2007	0.0	0.0	7.5	4.9	9.6	6.3	17.1
2007/2008	0.0	0.0	2.7	2.1	25.0	19.0	27.7
2008/2009	0.0	0.0	0.2	0.2	14.2	11.5	14.4
2009/2010	0.0	0.0	3.7	2.0	-54.8	30.1	-51.1
2010/2011	0.0	0.0	3.4	2.0	1.6	1.0	5.0
Total cumulative actuarial gains and losses							**-60.2**

Teachers	Difference between actual and expected return on assets		Difference between assumptions and actual experience on liabilities		Changes in assumptions used to estimate liabilities		Total
	£ millions	%	£ millions	%	£ millions	%	£ millions
2003/2004	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2004/2005	0.0	0.0	0.0	0.0	-4.0	11.0	-4.0
2005/2006	0.0	0.0	0.0	0.0	-1.8	4.5	-1.8
2006/2007	0.0	0.0	0.0	0.0	1.1	2.7	1.1
2007/2008	0.0	0.0	1.6	3.7	-3.7	8.5	-2.1
2008/2009	0.0	0.0	0.0	0.0	5.9	15.6	5.9
2009/2010	0.0	0.0	0.0	0.0	-6.9	15.4	-6.9
2010/2011	0.0	0.0	0.0	0.0	-0.1	0.1	0.1
Total cumulative actuarial gains and losses							**-7.7**

Fire Injury Awards	Difference between actual and expected return on assets		Difference between assumptions and actual experience on liabilities		Changes in assumptions used to estimate liabilities		Total
	£ millions	%	£ millions	%	£ millions	%	£ millions
2006/2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007/2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2008/2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2009/2010	0.0	0.0	2.1	11.6	3.2	17.2	5.3
2010/2011	0.0	0.0	0.4	2.6	-0.7	-4.3	-0.3
Total cumulative actuarial gains and losses							**5.0**

Note 48 Loan guarantees and other liabilities (Contingent Liabilities)

We are a partner of a special company for the ‘Pride in Camp Hill Regeneration Initiative’. The company was set up in 2002/2003. We have entered into an agreement with our partners Advantage West Midlands and Nuneaton and Bedworth Borough Council to carry out a redevelopment project in Camp Hill. We expect this to be completed by during 2016/2017. Each partner is committed to funding the running costs of the company in equal shares. Our share was £720,000 over the five years following this agreement. Also the partners have agreed to guarantee overdraft facilities of £100,000 with the company’s bank, again to be shared equally by all partners.

The Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, sets out the principle of equal pay for men and women. As part of the National Pay Agreement 2004, we had to carry out a pay review by 1 April 2007 to make sure that our pay arrangements for men and women are fair. In Warwickshire, because of the size of the project, we are doing this in two stages. The first stage is complete and changes have been built into a revised pay structure from 1 April 2007. Stage 2 was implemented on 1 November 2010. There are still about 10 jobs, out of about 1,100 jobs, which are still going through the recognised appeal process against their job evaluation score and grade. It is estimated that the potential full year cost of any successful appeal outcomes will be no more than £20,000.

Note 49 Contingent Assets

We have not identified any contingent assets at the 31 March 2011 (nil at 31 March 2010).

Note 50 Nature and Extent of Risk Arising from Financial Instruments

The authority’s activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk – the possibility that we might not have funds available to meet our commitments to make payments
- Market risk – the possibility that financial loss might arise for us as a result of changes in such measures as interest rates and stock market movements.

Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central Treasury Management team, under policies

approved by the full Council in the annual treasury management strategy. We provide written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to our customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of Short term F1, Long Term A, Individual B, Support 3. The authority has a policy of not lending more than 20% or £10 million of its surplus balances to one institution.

Many of the invoices raised by the county council are the result of statutory obligations. However, where the county council is providing goods or services to customers, we would consider their ability to pay. A number of checks are available to Cost Centre Managers and Financial Services Managers as outlined in our Debt Recovery Best Practice Guide.

The following analysis summarises our potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years. This has been adjusted to reflect current market conditions however there is no effect as there is no instance of institutions that meet Local Authority credit ratings defaulting in the last five years.

Exposure to Credit Risk	Amount at 31 March 2011 £ millions	Historical experience of Default %	Historical experience adjusted for market conditions as at 31 March 2011 %	Estimated maximum exposure to default & uncollectability £ millions
Deposits with banks	10.0	0.0	0.0	0.0
Cash at bank	9.0	0.0	0.0	0.0
Debt Management Office	34.3	0.0	0.0	0.0
Deposits with financial institutions	20.0	0.0	0.0	0.0
Deposits with local authorities	6.6	0.0	0.0	0.0
Customers (Invoiced Income)	14.5	0.0	0.0	0.0

Exposure to Credit Risk	Amount at 31 March 2010 £ millions	Historical experience of Default %	Historical experience adjusted for market conditions as at 31 March 2010 %	Estimated maximum exposure to default & uncollectability £ millions
Deposits with banks	10.0	0.0	0.0	0.0
Cash at bank	14.7	0.0	0.0	0.0
Debt Management Office	28.4	0.0	0.0	0.0
Deposits with financial institutions	5.0	0.0	0.0	0.0
Deposits with local authorities	3.3	0.0	0.0	0.0
Customers (Invoiced Income)	9.6	0.1	0.0	0.0

We do not expect any losses from non-performance by any of its counterparties in relation to deposits.

We allow in general 21 days from the date of invoicing for our customers to make settlement of their accounts and refer debts for legal action at 42 days outstanding. Of the £14.5 million owed by our invoiced customers (including bank account schools) (£9.6 million in 2009/2010) £5.9 million is past 42 days outstanding (£4.6 million in 2009/2010). We regularly report to our members on the invoiced debt outstanding over 42 days in accordance with our best practice guidance on income and debt recovery. The outstanding debt can be analysed by age as follows:-

Amount at 31 March 2010 £ millions	Debt Outstanding	Amount at 31 March 2011 £ millions
4.0	under 21 days (not yet due)	4.8
1.0	22 - 42 days	3.8
0.7	43 - 63 days	0.8
1.1	64 - 180 days	1.8
0.6	181 - 365 days	1.0
2.2	366 days +	2.3
9.6	**Total**	**14.5**

The total debt outstanding can be analysed by reportable segments as follows:-

Amount at 31 March 2010 £ millions	Debt Outstanding	Amount at 31 March 2011 £ millions
2.2	Adult, Health & Community Services	4.7
1.6	Children, Young People & Families	2.0
2.4	Environment & Economy	3.2
0.1	Fire & Rescue	0.1
2.9	Other Support Services and Corporate	2.0
0.4	Capital	2.5
9.6	**Total**	**14.5**

Liquidity Risk

As we have ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that we will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three year period through a combination of careful planning of new loans taken out and (where it is economical to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:-

On 31 March 2010 £ millions	Loans we have not yet repaid	On 31 March 2011 £ millions
	We owe money to:	
335.8	~ Public Works Loans Board	371.7
0.0	~ European Investment Bank	0.0
335.8	**Total**	**371.7**
	When we will pay the money back	
4.1	Less than 1 year	0.0
0.0	Between 1 and 2 years	2.6
8.2	Between 2 and 5 years	10.7
11.2	Between 5 and 10 years	36.1
312.3	More than 10 years	322.3
335.8	**Total**	**371.7**

Our level of borrowing is mainly due to paying for capital spending as shown in the table on page 49. We have increased our total level of borrowing in 2010/2011 to pay for this new capital spending (£34.1 million).

We use cash reserves which we have set aside to support future years' revenue budgets to invest in the short term. We have included these as short-term investments on the balance sheet.

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:-

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Total Income and Expenditure Statement.

The treasury management team has an active strategy for assessing interest rates exposure that feeds into setting the annual budget and which is used to update the budget quarterly during the year. This allows for any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2010 £ millions	Financial affects of interest rate variables	31 March 2011 £ millions
0.0	Increase in interest payable on variable rate borrowings	0.0
0.0	Increase in interest receivable on variable rate investments	0.0
0.0	Increase in government grant receivable for financing costs	0.0
0.0	**Impact on the Income and Expenditure Account**	**0.0**
0.0	Increase in fair value of fixed rate investment assets	0.0
0.0	**Impact on the Total Income and Expenditure Account**	**0.0**
28.4	**Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive I & E)**	**46.8**

Treasury Management

We will take into account the DCLG's (The Department of Communities and Local Government) guidance on Local Government Investments ("the guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectional Guidance Notes ("the CIPFA TM Code"). Our investment priorities are the security of the capital and the liquidity of our investments.

We use the Fitch rating to derive our counterparty criteria. Where the counterparty does not have a Fitch rating, the equivalent Moody's (or other rating agency) rating will be used. All credit ratings will be consistently monitored. We are alerted to changes in the Fitch rating through our use of the Sector creditworthiness service. If a downgrade results in the counterparty or investment scheme no longer meeting our minimum criteria, then its further use as a new investment will be withdrawn immediately.

We will aim to achieve the optimum return on our investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest and make a return is unlawful and we do not engage in such activity.

Our external fund managers will comply with the Annual Investment Strategy. The agreement between us and the fund managers additionally stipulates guidelines and duration and other limits in order to contain and control risk.

Price Risk

The authority has some shareholdings in related companies all of which have been derecognised in full prior to April 2006. Those shareholdings existed in the acquisition of specific interests and is as such not in a position to diversify its portfolio. The current value of those shareholdings is £0.6 million. These are all classified as "available for sale" meaning that all movements in price will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement, which in 2010/2011 amounted to a gain of £0.1 million.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Note 51 Outstanding undischarged obligations for long-term contracts

We have a seven-year contract with Carillion Highway Maintenance Limited to provide highway maintenance services, including routine, structural and winter maintenance services, street lighting and road surfacing. The contract began in May 2004 and the contract value is approximately £15 million a year, which comes from both revenue and capital sources.

We have 29 year contract (based on the life of the site) for the disposal of waste at Bubbenhall Landfill Site. The contract began in 1991 and the contract value is approximately £2.85 million per year which comes from revenue sources.

We have a 15 year contract for Bio-Waste Composting facility. The contract started 7 September 2009 and the contract value is approximately £26 million which comes from revenue sources. In 2010/2011 £1.8 million worth of payments were made.

We have a 7 year contract with various suppliers to provide 39 school and local bus service contracts within the Kineton, Stratford and Shipston areas. The contract began in June 2009 and the contract value is approximately £1.7 million per year which is funded from revenue sources.

We have a 5 year contract with various suppliers for the disposal of waste through landfill and incineration. The contract began in April 2010 and the contract value is approximately £4.6 million per year which is funded from revenue sources.

Note 52 Insurance risk

We (like many other local authorities) have separate reserves for meeting our share of each insurance claim (the excess). The excesses we need to meet on our policies are shown over the page.

Insurance risk	Excess for each claim (the amount we must pay towards each claim)		The most we would have to pay for claims paid under the excess
Schools' fire cover and other insured risks	£150,000	}	£600,000
Fire cover and other insured risks for other properties	£25,000		
Public and employer's liability	£125,000		£2,570,000
Our own motor vehicles (not including fire vehicles, coaches and minibuses) ~ accidental damage	full value of vehicle		
Fire vehicles, coaches and minibuses	£100 - £500 depending on type of vehicle		

On 31 March 2011, there was £11.0 million (£10.3 million in 2009/2010) in the insurance reserve.

As well as the excesses that are funded from this reserve, there are a number of excesses that each service must pay from their own budgets. These include excesses from £1,000 to £5,000 (depending on the insured risk) on property damage, the first £1,000 of theft losses (increased to £1,500 for computer losses) and the first £100 to £500 for accidental, fire or theft damage to vehicles.

Note 53 Authorisation of issue

These accounts have taken into account all known events up to xx September 2011. On that date the accounts were authorised for issue by the County Treasurer.

John Betts
County Treasurer

Note 54 Trust funds and other third-party funds

Trust funds

These funds are not included in the balance sheet because the money does not belong to us. These funds include seven school trust funds where the money can only be used for educational purposes and one library trust fund where the money can only be used for library and also educational facilities and criminal injury payments that are held in trust for children in our care. We are the only trustees of these trust funds. (See the table below.)

On 31 March 2010 £ millions	Trust funds	On 31 March 2011 £ millions
0.2	**Balance at the start of the year**	0.3
0.1	Movement on funds during the year	0.0
0.3	**Balance at the end of the year**	**0.3**

Note 55 Accounting for the Landfill Allowance Trading Scheme

Under the Waste and Emissions Trading Act 2003, waste-disposal authorities (WDAs) in the United Kingdom have a duty to reduce the amount of biodegradable municipal waste sent to landfill (waste that we are responsible for disposing of). The Act also provides the framework for the Landfill Allowances Trading Scheme (LATS) which applies only to WDAs in England and started on 1 April 2005.

Under the Act, each WDA is given a landfill allowance and is not allowed to landfill biodegradable municipal waste above this allowance, unless they can buy extra allowances from another WDA or pay a fine to the Department for Environment, Food and Rural Affairs (DEFRA).

Our allowance for 2010/2011 is 100,862 tonnes. We have estimated that our unused allowances in 2010/2011 will be 39,587 tonnes. We are allowed under the scheme to carry these forward or sell them to other waste disposal authorities. We will try and sell any unused allowances although there is a very limited market for these and many WDA's are holding surplus allowances. Any unsold allowances will be carried forward to 2011/2012.

The effect in our financial statements of these new regulations is that we have to show the value of our yearly landfill allowance from DEFRA as grant income in the year and as a current asset in our balance sheet (landfill allowances asset account). Also, we have to show the value of the allowances we have used in the year as spending in our income and expenditure account by setting up a provision (liability for landfill usage account) in our balance sheet. The valuation of the allowances we received from DEFRA, the allowances we have used in the year were valued at the average trading price advised by DEFRA of £12.50 tonne. However we have reduced the value of the unused allowances held at year end to net realisable value based on evidence of offers in the market place to buy unused allowances from WDA's at that time of £0.50 per tonne. The effect on the Comprehensive Income and Expenditure Account is a net income (notional surplus) of £0.019 million. This is held in an earmarked reserve at the end of 2010/2011.

Note 56 Corporate and democratic core

Under the Best Value Accounting Code of Practice, we must keep a separate record of spending on these activities, which, in the past, were charged to services. In 2010/2011, we spent £4.9 million on various support services, compared with £6.6 million (restated) in 2009/2010.

Note 57 Non-distributed costs

For 2010/2011, under the Best Value Accounting Code of Practice, we must show pension costs identified as past service costs, settlement costs and curtailment costs outside individual service spends. In 2010/2011, these came to a decrease in costs of £72.9 million (£2.0 million net increase in cost in 2009/2010). The cost of providing retirement benefits earned by and awarded to employees during the year is shown in service spends as current service costs.

Note 58 Prior-period adjustments including first time adoption of International Accounting Standards (IFRS)

The Statement of Accounts for 2010/2011 is the first to be prepared on an IFRS basis. Adoption of the IFRS based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/2010. The following tables explain the material differences between the amounts presented in the 2009/2010 financial statements and the equivalents amounts presented in the 2010/2011 financial statements.

1. **Short term accumulating compensated absences and fire injury awards**

Short term accumulating absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this is holiday pay. Under the code the cost of providing those benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, we are required to accrue for any annual leave earned but not taken at 31 March each year. This is regardless of whether it will actually be paid or not in the future. Under the previous accounting rules such an accrual was not required.

However the government has issued regulations that mean we are only required to fund holiday and similar benefits when they are used rather than when they are earned. Amounts are therefore transferred to the Accumulated Absences Account until they are used**.**

In addition we have under IFRS recognised that the fire-fighters injury awards scheme should be treated under post employment benefits as a pensions benefit. In doing so we have recognised this scheme in accordance with IAS 19 and the liabilities introduced into the Income and Expenditure Account for 2009/2010 and Balance Sheets as at 1 April 2009 and 1 April 2010 have been restated accordingly using the Government Actuaries Department (GAD) certificates for the scheme. The benefits paid in the year are funded as they are paid through the revenue account so any differences between the amounts required to be shown in the Comprehensive Income and Expenditure Statement and those cash payments are reversed through the Movement In Reserves Statement to the Pensions Reserve so as not to affect the Council Tax. The Pensions liability is also shown on the Balance Sheet and is equal and opposite to the Pensions Reserve.

2. Cash and Cash Equivalents

Under IFRS we are required to pool cash equivalents together with cash. In doing so we have reclassified cash deposits held in building societies (call accounts) and short term investments held for less than 3 months at time of deposit which are deemed highly liquid as cash equivalents.

3. Classification of fixed assets

In addition there have been a number of reclassifications of fixed assets under IFRS. Although there are no material changes for all fixed assets in total, £11.6 million (£3.9 million in 2008/2009) have reclassified from long term assets to current assets in relation to assets held for sale. These are expected to be sold within 12 months of them being designated as being held for sale.

4. Accounting for government grants and contributions

Under IFRS we were required to transfer the balance on the Government Grants Deferred Account (£157.7 million at 1/4/2009 and £188.4 million at 1/4/2010) to the Capital Adjustment Account in it's entirety. Government Grants Unapplied, previously current liabilities have now been restated in accordance with IFRS as Capital Grants Receipts in Advance (long Term liabilities) and Capital Grants Unapplied Reserve. The amounts for 1 April 2009 £39.890 million was reallocated at £35.448 million and £4.442 million respectively and for 1 April 2010 £37.151 million reallocated at £30.569 million and £6.582 million respectively. Capital grants which have been received without conditions or have met their conditions in the year are now required to be shown as general revenue grants in the Comprehensive Income and Expenditure Account. This does not affect the net cost of service unless they fund revenue expenditure funded capital under statute (ie. Spending on assets we do not own) which is required to be shown in the net cost of services. In addition some revenue grants under IFRS which are not ringfenced (no conditions) are required to be shown outside the net cost of services and have been restated accordingly. In addition where this is the case any receipts in advance in the year they became unringfenced has been reversed and shown in the Comprehensive Income and Expenditure Statement. This has resulted in a restatement of earmarked reserves by the same amount.

5. Accounting for leases

Under IFRS we have reassessed both leases we pay and those we receive income for. This has resulted in a small number of assets being added to our balance sheet. Rental service charges payments have been removed from the net cost of services and have been replaced with a charge for depreciation, together with interest charges below the net cost of services. This restatement also creates a liability for finance leases on the balance sheet which is repaid by an annual principal repayment.

The Balance Sheets as at 31 March 2009 and 31 March 2010 have been restated applying IFRS and after accounting for the prior period adjustment detailed below as follows:-

Opening Balance Sheet 1 April 2009	**2009/2010 Statements £millions**	**IFRS Adjustments £millions**	**Prior Period Adjustments £millions**	**2010-2011 Statements £millions**
Total Fixed Assets	1,180.0	-6.6	0.0	1,173.4
Long Term Investments	1.1	0.0	0.0	1.1
Long Term Debtors	3.5	0.0	0.0	3.5
Total Long Term Assets	**1,184.6**	**-6.6**	**0.0**	**1,178.0**
Current Assets:-				
Short Term Investments	92.8	-34.1	0.0	58.7
Inventories	0.7	0.0	0.0	0.7
Short Term Debtors	50.6	0.0	0.0	50.6
Cash and Cash Equivalents	0.0	33.1	0.0	33.1
Assets Held For Sale		3.9	0.0	3.9
	144.1	**2.9**	**0.0**	**147.0**
Current Liabilities:-				
Bank Overdraft	-1.0	1.0	0.0	0.0
Provisions (settlement within 12 months)	0.0	-2.4	0.0	-2.4
Short Term Borrowing	0.0	0.0	0.0	0.0
Short Term Creditors	-79.8	-10.9	0.0	-90.7
Government Grants & Contributions Unapplied	-39.9	39.9	0.0	0.0
	-120.7	**27.6**	**0.0**	**-93.1**
Current Assets less Current Liabilities	**23.4**	**30.5**	**0.0**	**53.9**
Long Term Liabilities:-				
Provisions (settlement over 12 months)	-3.0	2.4	0.0	-0.6
Long Term Borrowing	-305.8	0.0	0.0	-305.8
Government Grants Deferred	-157.7	157.7	0.0	0.0
Capital Grants Received In Advance	0.0	-35.4	0.0	-35.4
Other Long Term liabilities:-	0.0	0.0	0.0	0.0
- Finance Lease Liability	0.0	-0.5	0.0	-0.5
- Pensions Liability	-388.2	-12.8	0.0	-401.0
	-854.7	**111.4**	**0.0**	**-743.3**
Net Assets	**353.3**	**135.3**	**0.0**	**488.6**

Opening Balance Sheet 1 April 2009	2009/2010 Statements £millions	IFRS Adjustments £millions	Prior Period Adjustments £millions	2010-2011 Statements £millions
Useable Reserves:				
General Reserves	8.9	0.0	0.0	8.9
Earmarked Reserves	37.6	0.0	0.0	37.6
Capital Fund	0.3	0.0	0.0	0.3
Capital Receipts Reserve	0.0	0.0	0.0	0.0
Capital Grants Unapplied Reserve	0.0	4.5	0.0	4.5
	46.8	**4.5**	**0.0**	**51.3**
Unusable Reserves:-				
Revaluation Reserve	185.5	-3.5	0.0	182.0
Capital Adjustment Account	507.7	157.9	0.0	665.6
Financial Instruments Adjustment Account	0.8	0.0	0.0	0.8
Available for Sale Financial Instruments Reserve	1.1	0.0	0.0	1.1
Compensated Absences Reserve	0.0	-10.8	0.0	-10.8
Collection Fund Adjustment Reserve	-0.4	0.0	0.0	-0.4
Pensions Reserve	-388.2	-12.8	0.0	-401.0
	306.5	**130.8**	**0.0**	**437.3**
Net Worth	**353.3**	**135.3**	**0.0**	**488.6**

Opening Balance Sheet 1 April 2010	2009/2010 Statements £millions	IFRS Adjustments £millions	Prior Period Adjustments £millions	2010-2011 Statements £millions
Total Fixed Assets	1,196.1	-14.4	-1.3	1,180.4
Long Term Investments	0.5	0.0	0.0	0.5
Long Term Debtors	1.1	0.0	0.0	1.1
Total Long Term Assets	**1,197.7**	**-14.4**	**-1.3**	**1,182.0**
Intangible Current Assets:				
Current Assets:-				
Short Term Investments	91.7	-46.1	0.0	45.6
Inventories	0.6	0.0	0.0	0.6
Short Term Debtors	40.5	0.0	0.0	40.5
Cash and Cash Equivalents	0.0	60.8	0.0	60.8
Cash at Bank	14.7	-14.7	0.0	0.0
Assets Held For Sale	0.0	11.6	0.0	11.6
Landfill Allowances Asset Account	1.3	0.0	0.0	1.3
	148.8	**11.6**	**0.0**	**160.4**
Current Liabilities:-				
Provisions (settlement within 12 months)	0.0	-2.1	0.0	-2.1
Short Term Borrowing	-4.1	0.1	0.0	-4.0
Short Term Creditors	-79.8	-7.2	0.0	-87.0
Government Grants & contributions	-37.2	37.2	0.0	0.0
	-121.1	**28.0**	**0.0**	**-93.1**
Current Assets less Current Liabilities	**27.7**	**39.6**	**0.0**	**67.3**
Long Term Liabilities:-				
Provisions (settlement over 12 months)	-2.2	2.1	0.0	-0.1
Long Term Borrowing	-331.7	0.0	0.0	-331.7
Government Grants Deferred	-188.4	188.4	0.0	0.0
Capital Grants Received In Advance	0.0	-30.6	0.0	-30.6
Other Long Term liabilities:-	0.0	0.0	0.0	0.0
- Finance Lease Liability	0.0	-0.4	0.0	-0.4
- Pensions Liability	-562.5	-18.6	0.0	-581.1
	-1,084.8	**140.9**	**0.0**	**-943.9**
Net Assets	**140.6**	**166.1**	**-1.3**	**305.4**

Opening Balance Sheet 1 April 2010	2009/2010 Statements £millions	IFRS Adjustments £millions	Prior Period Adjustments £millions	2010-2011 Statements £millions
Useable Reserves:				
General Reserves	8.2	0.0	0.0	8.2
Earmarked Reserves	43.0	1.7	0.0	44.7
Capital Fund	0.1	0.0	0.0	0.1
Capital Receipts Reserve	0.0	0.0	0.0	0.0
Capital Grants Unapplied Reserve	0.0	6.6	0.0	6.6
	51.3	**8.3**	**0.0**	**59.6**
Unusable Reserves:-				
Revaluation Reserve	175.9	-0.4	0.0	175.5
Capital Adjustment Account	474.2	185.6	-1.3	658.5
Financial Instruments Adjustment Account	0.7	0.0	0.0	0.7
Available for Sale Financial Instruments Reserve	0.5	0.0	0.0	0.5
Compensated Absences Reserve	0.0	-8.8	0.0	-8.8
Collection Fund Adjustment Reserve	0.5		0.0	0.5
Pensions Reserve	-562.5	-18.6	0.0	-581.1
	89.3	**157.8**	**-1.3**	**245.8**
Net Worth	**140.6**	**166.1**	**-1.3**	**305.4**

Prior Period Adjsutments

We have recorded a prior period adjustment in respect of our Highways and Economic Development Infrastructure assets. This has arisen from a correction to the way in which we allocate capital expenditure to these assets and subsequently record that expenditure as complete for the purposes of charging depreciation.

Our opening assets under construction balance for affected assets has been reduced by £24.8 million. Of this, £23.6 million was recognised as having been completed in previous years. The remaining £1.2 million has been charged as impairment to the Comprehensive Income and Expenditure account.

As a result of the increased value of operationally complete assets, additional depreciation of £0.2 million was also charged to the Comprehensive Income and Expenditure account.

Fire Grant received in respect of the Fire-fighters Pension Fund received from the Government had been treated under FRS17 (now IAS19) as part of the net cost of services. This has been restated and shown below the net cost of services under “taxation and non specific grant income”. This has resulted in an increase in the fire service spend of £2.5 million in the table below. This has no impact on the surplus or deficit on the provision of services.

2009/2010 Comprehensive Income and Expenditure Statement Cost of Services (Net)	2009/2010 Statements £millions	IFRS Adjustments £millions	Prior Period Adjustments £millions	2010-2011 Statements £millions
~ cultural and other related services	14.0	0.2	0.0	14.2
~ environmental and regulatory services	21.5	-0.4	0.0	21.1
~ planning and development services	7.9	1.0	0.0	8.9
~ children's and education services	109.9	-1.9	0.0	108.0
~ fire and rescue services	21.8	0.1	2.5	24.4
~ highways, roads and transport services	35.4	2.6	1.3	39.3
~ adult social care	125.2	12.1	0.0	137.3
~ other housing services (gypsy sites)	0.1	0.0	0.0	0.1
~ court services	0.5	0.0	0.0	0.5
~ central services to the public	0.9	0.0	0.0	0.9
~ corporate and democratic core	6.2	0.4	0.0	6.6
~ non distributed costs	2.0	0.0	0.0	2.0
~ other services	0.0	0.0	0.0	0.0
Net Cost Of Services	**345.4**	**14.2**	**3.8**	**363.4**

The Firefighters' Pension Fund

2009/2010 £ millions	Fund account	2010/2011 £ millions
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer: Warwickshire County Council	
-1.8	- normal contributions in relation to pensionable pay	-1.8
-0.1	- early retirements	0.0
0.0	- other contributions	0.0
-0.9	- from members (firefighter's contributions)	-0.9
	Transfers in:	
-0.1	- individual transfers in from other authorities	0.0
0.0	- other transfers in	0.0
-2.9	**Income to the fund**	**-2.7**
	Spending by the fund	
	Benefits payable:	
4.3	- Pension payments	3.3
1.1	- Commutation of pensions and lump-sum retirement benefits	1.1
0.0	- Lump-sum death benefits	0.0
0.0	- Other benefits payable	1.3
	Payments to and on account of leavers	
0.0	- Refunds of contributions to people who leave the scheme	0.0
0.0	- Individual transfers out of the scheme to other authorities	0.0
0.0	- Other payments	0.0
5.4	**Spending by the fund**	**5.7**
2.5	**Net amount payable for the year (before top-up grant receivable from Government)**	**3.0**
-2.5	Top-up grant payable by the Government	-3.0
0.0	**Net amount payable or receivable (-) for the year**	**0.0**

2009/2010 £ millions	Firefighters' Pension Fund net assets statement	2010/2011 £ millions
	Current Assets:-	
0.0	- contributions due from employer: Warwickshire County Council	0.0
0.9	- Top-up grant receivable from Government	1.2
0.0	- other current assets (other than other benefits in the future) ~ debtor	0.0
	Current Liabilities:-	
0.0	- unpaid pension benefits	0.0
0.0	- amount due to Government ~ creditor	0.0
-0.9	- other current liabilities (other than liabilities in the future) ~ creditor	-1.2
0.0	**Net assets or liabilities (-) at the end of the year**	**0.0**

Notes to the Firefighters' Pension Fund statements

1 Fund operations

The funding arrangements for the Firefighters' Pension Scheme in England changed on 1 April 2006. Before then, the scheme did not consist of an employer's contribution that was a percentage of pensionable pay. Each Fire and Rescue authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements, the scheme is still unfunded but will no longer be on a pay-as-you-go basis. In an unfunded scheme, the employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due. We are no longer required to meet the pension costs directly but instead to pay an employer's pension contribution based on a percentage of pay into the pension fund. Each Fire and Rescue authority must run a pension fund and the amounts that must be paid into and out of the pension fund are set by regulation. The legislation that controls its operation is the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The benefits payable are pensions to retired firefighters and/or widows/widowers of retired firefighters. The benefits paid and employee and employers contributions are administered through our own human resources management system. The scheme has no investment assets.

Under the new arrangements the pension fund is balanced to nil at the end of the year by either paying over to the sponsoring government department the amount by which the amount receivable by (due to) the fund is more than the amount payable, or by receiving cash in the form of pension top-up grant from the sponsoring department equal to the amount by which the amount payable from (owed by) the pension fund for the year is more than the amount receivable. An amount of 80% of the estimated grant needed each year is paid to the fund by the Government during the year. The balance is only paid once the Pensions statement has been audited by our external auditors and a claim, certified by the County Treasurer, is

submitted to the Government. Contributions are set nationally by the government and is subject to a triennial (3 yearly) revaluation by the Government Actuaries Department (GAD).

2 Accounting policies

The above financial statements are accounted for on an accruals basis.

We did not use any estimation techniques in preparing these statements.

There have been no prior year adjustments.

Additional voluntary contributions are excluded from the accounts of the Pension Fund. However, where members of the scheme have brought added years within the scheme, these will be included in the Fund contributions.

For assets and liabilities in the net asset statement the fair value is deemed to be the carrying value as they are both due within 1 year.

3 Liabilities

The statements above do not take account of any liabilities to pay pensions and other benefits after the period end i.e. 31 March 2011. Details of the long term pension obligations, employees and employers contribution rates and GAD assumptions used in the required disclosures in the authority's accounts for the Firefighters Pension Fund are found in the notes 46 and 47 to the accounts on pages 99 to 115.

4 Contribution Levels

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the DCLG and subject to triennial revaluation by the Government Actuary's Department.

5 AVC's and added years

Additional voluntary contributions are excluded from the accounts of the Pension Fund. However, where members of the scheme have brought added years within the scheme, these will be included in the Fund contributions.

6 Debtors and Creditors

The debtors for both years are amounts due from central government (balance of grant due to balance the account to nil). The creditors for both years are the amounts due to Warwickshire County Council (local authorities), the administering authority. All amounts are due within 1 year.

The Pension Fund

This section summarises the accounts of our pension fund. We use this fund to pay former employees their pensions and other benefits when they retire.

Fund account - Dealings with members, employers and other people directly involved in the scheme

2009/2010 £ millions	Revenue account	2010/2011 £ millions
	Income to the fund	
	Contributions receivable:	
-31.6	From employers ~ normal	-28.7
-0.2	From employers ~ augmented	-0.1
-7.3	From employers ~ deficit funding	-9.7
-16.6	From employees	-16.5
-7.0	Individual transfers in from other schemes	-5.5
-62.7	**Income to the fund**	**-60.5**
	Spending by the fund	
	Benefits to be paid:	
37.3	Pension payments	39.7
13.0	Commutation of pensions & lump sum retirement benefits	14.8
1.6	Lump sum death benefits	1.5
	Payments to and on behalf of leavers	
0.0	Refunds of contributions to people who leave the scheme	0.0
7.3	Individual transfers out of the scheme	6.8
1.5	**Administration expenses paid by the scheme**	1.5
60.7	**Spending by the fund**	**64.3**
-2.0	**Net additions from dealing with members**	**3.8**
	Return on investments:	
-14.3	Dividends from stocks and shares	-7.8
-1.3	Income from pooled investment vehicles	-2.4
-0.4	Interest on cash deposits	0.0
	Change in market value of investments:	
-36.0	Realised profit (-) or loss on sales	-23.2
0.2	Realised profit (-) or loss on Derivatives (Foreign Ex)	0.0
-229.4	Unrealised profit (-) or loss on investments	-54.2
	Taxation	
1.2	Tax we cannot claim back	0.4
3.0	**Investment management expenses**	3.4
-277.0	**Net returns on investments**	**-83.8**
-279.0	**Net increase (-) / decrease in fund during the year**	**-80.0**

2009/2010 £ millions	Pension fund net assets	2010/2011 £ millions
279.0	Net increase / decrease (-) in fund during the year	80.0
820.3	Add opening net assets of the scheme	1,099.3
1,099.3	**Net assets at the end of the year**	**1,179.3**

As at 31 March 2010 £ millions	Net assets statement	As at 31 March 2011 £ millions
	Investment assets	
4.7	Fixed interest securities	5.3
301.7	Stocks and shares	328.2
779.8	Managed funds	837.0
11.0	Cash and deposits	12.5
1.4	Other Investments	1.7
1,098.6		**1,184.7**
	Current assets	
1.3	Contributions due from employers	1.5
0.6	Other debtors	3.5
0.2	Cash balances	11.8
	Current liabilities	
0.0	Unpaid benefits (creditors)	0.0
0.0	Short term cashflow loan	-5.0
-1.4	Other creditors	-17.2
0.7		-5.4
1,099.3	**Net assets at the end of the year**	**1,179.3**

Under the IFRS based code requirements we are required to show a restated Net Assets Statement as at 1 April 2009. As we have no additional adjustments in respect of employer's augmentation contributions this is the same as that published as at 31 March 2009 and is shown below.

2008/2009 £ millions	Pension fund net assets	2009/2010 £ millions
-166.3	Net increase / decrease (-) in fund during the year	279.0
986.6	Add opening net assets of the scheme	820.3
820.3	**Net assets at the end of the year**	**1,099.3**

As at 31 March 2009 Restated £ millions	Net assets statement	As at 31 March 2010 £ millions
	Investment assets	
1.0	Fixed interest securities	4.7
305.3	Stocks and shares	301.7
0.0	Unit trusts	0.0
483.9	Managed funds	779.8
0.1	Derivative Contracts	0.0
9.6	Cash and deposits	11.0
4.6	Other Investments	1.4
804.5		**1,098.6**
	Current assets	
1.6	Contributions due from employers	1.3
0.2	Other debtors	0.6
15.4	Cash balances	0.2
	Current liabilities	
0.0	Unpaid benefits (creditors)	0.0
-1.4	Other creditors	-1.4
15.8		0.7
820.3	**Net assets at the end of the year**	**1,099.3**

Under the Code we are also required to disclose the actuarial present value of promised retirement benefits this can be found in Note 14.

Notes

1 Operations and membership

We administer the statutory Warwickshire Local Government Pension Fund (a defined benefit scheme set up under the Local Government Pension Scheme Regulations 1997). The fund is open to our employees, the five district and borough councils and 61 other organisations. You can find a list of scheduled and admitted bodies in Note 8. The fund does not cover teachers, police officers or firefighters as these staff have different pension arrangements. The Pension Fund Investment Board is responsible for managing the pension fund. The Board is made up of five county councillors. A specialist advisor provides advice and guidance to the Board as well as the County Treasurer and his staff.

As at 31 March 2010	Membership	As at 31 March 2011
16,101	Number of members contributing to the fund	15,511
8,840	Number of pensioners paid by the fund	9,326
10,044	Number of ex-members whose pension rights are 'frozen' until they retire	11,312

2 Accounting policies

The accounts of the pension fund contain the information set out in the Code of Practice on Local Authority Accounting 2010/2011 (The Code). The Code says the accounts must keep to the SORP Financial Reports of Pension Schemes (the Pensions SORP). As a result, the accounting policies set out on pages 15 to 28 and 133 to 135 are consistent with the Pensions SORP. The accounts give a summary of the transactions and net assets of the fund. They do not take account of the liability to pay pensions and other benefits in the future. This is dealt with by the actuary's valuation every three years. The pension fund does not form part of our consolidated accounts.

a How we have prepared these accounts

We have prepared the financial statements on an 'accruals basis'. This means that we show income and spending as we earn or agree to spend it, not as we actually receive or pay it. We have used the following accounting policies, which we have applied consistently when preparing the financial statements.

b Valuing investments

We value stocks and shares traded through the Stock Exchange Electronic Trading Service (SETS) based on the latest bid market price. We value other quoted investments based on the bid-market price quoted on the relevant stock market.

We value pooled investments at the average of the 'bid' and 'offer' price provided by the relevant fund manager. This reflects the market value of the investments. The bid-offer spread is the difference between the price at which stocks and shares can be sold (bid price) and bought (offer price).

The fund managers value unquoted securities at the end of the financial year in line with generally accepted guidelines.

The value of fixed interest investments in the scheme's investment portfolio does not include interest earned but not paid over at the end of the financial year. This is included in "Other Investments" in the accounts and Note 5.

Property investments are held by the fund in pooled investment vehicles (see glossary).

We include acquisition costs in the purchase costs of investments.

c Investment income

We account for income from stocks and shares on the date shares are quoted 'ex-dividend'. Income from overseas investments is recorded after any withholding tax has been taken off if we cannot get this back.

We account for income from fixed interest and index linked securities, cash, short term deposits and other investments on an accruals basis.

The change in the market value of investments during the year includes all increases and decreases in the market value of investments held at any time during the year. This includes profits and losses on selling investments and unrealised changes in market value.

d Foreign currencies

If there are forward exchange contracts in place for assets and liabilities in foreign currencies, we have used the contract rate. Other assets and liabilities in foreign currencies are shown in sterling at the rate of exchange at the end of the financial year. We translate income from overseas investments into sterling at an average rate for the period in which we received it.

We deal with gains and losses arising from converting currencies as part of the change to the market value of investments. The exception is where there is a foreign currency derivative acting as a cash-flow hedge on investments, where we would then class this gain separately as realised profit in the revenue account.

e Contributions

We account for normal contributions from members and employers in the payroll month to which they relate to, at rates set out in the rates and adjustments certificate. We account for extra contributions from employers in line with the agreement under which they are paid or, if there is no agreement, when we receive them.

f Benefits due to be paid

Under the scheme rules, members receive a lump sum retirement grant on top of their yearly pension. We account for lump sum retirement grants from the date members retire. If a member chooses to take a greater retirement grant in return for a reduced pension, we account for these amounts on an accruals basis from the date the member takes this option.

We account for other benefits on the date the member leaves the plan or dies.

g Transfer to and from other schemes

Transfer values relate to amounts we receive from other pension funds for new members or we pay to other pension schemes for members who have left the fund.

h Other expenses

We account for administration and investment management expenses on an accruals basis. These expenses do not include any VAT that can be recovered.

We have worked out our fund manager fees in line with the appropriate contract and the associated contract agreement as follows.

Fund manager	Mandate	Negotiated fee
State Street Global Advisors	Passive Index Tracker (UK stocks and shares)	Percentage of the fund
Threadneedle Investment Services	UK stocks and shares	Percentage of the fund
MFS Investment Management	Global stocks and shares	Percentage of the fund
BlackRock Global Investors	Passive index tracker (Balanced)	Percentage of the fund
Schroder Investment Management	Fund of funds (UK property)	Percentage of the fund
Legal and General Investment Management	Passive index tracker (global stocks and shares)	Percentage of the fund
Legal and General Investment Management	Passive index tracker (fixed income)	Percentage of the fund
Threadneedle Investments	Pooled Fund (UK property)	Percentage of the fund
Blackstone Group International	Fund of funds (hedge funds)	Percentage of the fund

We appointed the following manager in July 2010 but as at 31 March 20011 there is no amount invested with them.

Fund manager	Mandate	Negotiated fee
HarbourVest Partners	Fund of Funds (private equity)	Percentage of the fund

3 Actuarial valuation

The purpose of an actuarial valuation, which must be carried out every three years by law, is to assess the ability of the fund to meet its long-term liabilities. The actuary assesses the future growth in the value of the fund, and the future liability to pay pensions to current and former employees. The difference between projected assets and liabilities sets the amount employers must contribute. The fund aims to set employers' contributions rates so that the projected assets equal at least 100% of the projected liabilities. The actuarial valuation report dated March 2008 decided that the funding level was at 86%. A revised schedule of employers' contribution rates came into force from 1 April 2008.

During 2010/2011, the County Council paid employers' contributions at a rate of 14.4%. The district and borough councils paid employers' contributions at rates ranging between 14.8% and 16.1%.

The assumptions used for the March 2007 actuarial valuation were as follows.

Actuarial valuation	Past service %	Future service %
Rate of return on investments - before retirement	6.90%	6.50%
Rate of return on investments - after retirement	5.40%	6.50%
Salary and earnings increases	4.85%	4.50%
Rate of increase in pensions	3.10%	2.75%

The fund is valued using the projected unit method which is consistent with the aim of achieving the 100% funding level described above. At the 31 March 2007 actuarial valuation, the fund's assets were valued at £1,000.8 million.

4 Fund manager holdings

2009/2010 £ millions	%	Market value of external investments	2010/2011 £ millions	%
0.7	0.1	State Street Global Advisors (UK Equities)	0.0	0.0
151.4	13.8	State Street Global Advisors (Index Tracker UK Equities)	165.9	14.0
154.0	14.0	Threadneedle Investments (UK Equities)	169.5	14.3
152.9	13.9	MFS Investment Management (Global Equities)	164.6	13.9
227.6	20.7	Black Rock Global Investors (Index Tracker)	204.9	17.3
145.2	13.2	Legal and General Investment Management (Index Tracker - Global Equities)	162.0	13.7
135.8	12.4	Legal and General Investment Management (Index Tracker - Fixed Income)	139.0	11.8
38.6	3.5	Threadneedle Investments (Property)	60.9	5.1
35.8	3.3	Schroder Investment Management (Property)	57.1	4.8
53.7	4.9	Blackstone Group International (Hedge Funds)	57.0	4.8
0.0	0.0	BlackRock Investment Management (Transition Manager)	0.0	0.0
2.8	0.2	UBS Global Asset Management (Fixed Interest)	0.0	0.0
0.1	0.0	UBS Global Asset Management (Global Equities)	0.0	0.0
0.0	0.0	BNY Mellon (Global Custodian)	3.8	0.3
1,098.6	**100.0**	**Total**	**1,184.7**	**100.0**

5 Investments

	Value 1 April 2010 £ millions	Purchases at cost £ millions	Sales proceeds £ millions	Realised profit or loss (-) £ millions	Unrealised profit or loss (-) £ millions	Increase in debtors or (creditors) £ millions	Value 31 March 2011 £ millions
Fixed interest securities	4.7	4.9	-4.6	0.1	0.2	0.0	5.3
Stocks and shares	301.7	85.9	-79.4	12.8	7.2	0.0	328.2
Managed funds	779.8	50.9	-50.7	10.3	46.7	0.0	837.0
Cash and deposits	11.0	34.8	-33.1	0.0	0.1	-0.3	12.5
Other investments	1.4	0.2	-0.2	0.0	0.0	0.3	1.7
Total	**1,098.6**	**176.7**	**-168.0**	**23.2**	**54.2**	**0.0**	**1,184.7**

2009/2010 £ millions		2010/2011 £ millions
	Fixed interest securities	
4.7	UK quoted	5.3
4.7		**5.3**
	Stocks and shares	
153.7	UK quoted	162.9
148.0	Overseas quoted	165.3
301.7		**328.2**
	Managed funds	
779.8	Managed funds	837.0
779.8		**837.0**
	Cash and deposits	
8.8	Sterling	10.7
2.2	Foreign currency	1.8
11.0		**12.5**
	Other investments	
1.6	Debtors	1.8
-0.2	Creditors	-0.1
1.4		**1.7**

The change in market value of investments during the year includes all increases and reductions in the market value of investments held at any time during the year, including profits and losses made when selling investments during the year.

6 Contributions and benefits

2009/2010 £ millions	Contributions we receive	2010/2011 £ millions
	Administering authority	
21.9	~ From employers	22.1
9.8	~ From employees	9.8
31.7		31.9
	Scheduled bodies	
15.3	~ From employers	14.7
6.1	~ From employees	6.0
21.4		20.7
	Admitted bodies	
1.8	~ From employers	1.6
0.7	~ From employees	0.7
2.5		2.3
	Non-scheduled bodies	
0.1	~ From employers	0.1
0.0	~ From employees	0.0
0.1		0.1
55.7	**Total**	**55.0**

The total contributions we received from employers was £38.5 million (£39.1 million in 2009/2010) and £16.5 million (£16.6 million in 2009/2010) from employees.

Employees contributions during the year included payments of £0.4 million to buy added year and additional regular contributions (£0.3 million in 2009/2010 for added years).

Employers' contributions during the year included £1.0 million received from employers for compensation to the fund for those retiring early and being made redundant (£2.7 million in 2009/2010).

The funding objective is to achieve and maintain a funding level of 100% of liabilities. For this reason a certain proportion of employer contribution received will be to reduce an existing deficit. The 2007 actuarial valuation stated that the deficit could be eliminated by an average contribution addition of 3.5% of pensionable pay for 22 years.

2009/2010 £ millions	Analysis of contributions by type	2010/2011 £ millions
16.3	Employee contributions - normal	16.1
0.3	Employee contributions - purchase of additional years	0.4
31.6	Employers' normal contributions	28.7
0.2	Employers' augmentation Contributions	0.1
7.3	Employers' deficit funding Contributions	9.7
55.7	**Total**	**55.0**

2009/2010 £ millions	Benefits to be paid	2010/2011 £ millions
	Administering authority	
26.8	~ Pension paid (including lump sums)	29.6
3.9	~ Transfers out	4.5
30.7		34.1
	Scheduled bodies	
22.7	~ Pension paid (including lump sums)	23.8
3.4	~ Transfers out	1.9
26.1		25.7
	Admitted bodies	
2.3	~ Pension paid (including lump sums)	2.6
0.0	~ Transfers out	0.4
2.3		3.0
	Non-scheduled bodies	
0.1	~ Pension paid (including lump sums)	0.3
0.0	~ Transfers out	0.0
0.1		0.3
59.2	**Total**	**63.1**

The total pensions paid out (including lump sums) was £56.3 million (£51.9 million in 2009/2010) and the total transfers out was £6.8 million (£7.3 million in 2009/2010).

7 Statement of Investment Principles

The Investment Board approved a statement of investment principles on 2 August 2010. You can get a copy by writing to the Resources Directorate, PO Box 3, Shire Hall, Warwick CV34 4RH or from the website.

You can view the pension fund website at www.warwickshire.gov.uk/pensions.

8 Organisations contributing to the fund

Scheduled bodies

Alcester Town Council
Atherstone Town Council
Bishops Itchington Parish Council
Bidford upon Avon Parish Council
Coleshill Town Council
Curdworth Parish Council
King Edward VI College, Nuneaton
Long Itchington Parish Council
Mancetter Parish Council
North Warwickshire and Hinckley College
North Warwickshire Borough Council
Nuneaton Academy
Nuneaton and Bedworth Borough Council
Polesworth Academy
Rugby Borough Council
Ryton on Dunsmore Parish Council
Royal Leamington Spa Town Council
Shipston Town Council
Southam Town Council
Stratford on Avon District Council
Stratford upon Avon College
Stratford upon Avon Town Council
Warwick District Council
Warwickshire College
Warwickshire County Council
Warwickshire Police Authority
Warwickshire Probation Service
Warwickshire Valuation Tribunal
Wellesbourne Parish Council
Whitnash Town Council

Admitted bodies

ABM Catering
Alliance in Partnership
Bedworth, Rugby and Nuneaton Citizens Advice Bureau
Carillion Highways Maintenance
Mid Warwickshire MENCAP
North Warwickshire Citizens Advice Bureau
Nuneaton and Bedworth Leisure Trust
Orbit Housing Group
Rugby Town Centre Company Limited
Sanctuary Housing
Shipston Leisure
Solihull School
Stratford and District MENCAP
Stratford upon Avon Council for Voluntary Service
Stratford upon Avon Citizens Advice Bureau
Stratford upon Avon Town Trust Co Ltd
The Rowan Organisation
Warwick District Citizens Advice Bureau
Warwick Schools
Warwickshire Association for the Blind
Warwickshire Care Services Ltd
Warwickshire Welfare Rights Service
Westfield Community Development Association

Other admitted bodies with pensioners but no pensionable employees

Beaudesert and Henley-in-Arden Joint Parish Council
Lapworth Parish Council
North Warwickshire Council for Voluntary Service
Nuneaton and Bedworth Council for Voluntary Service
People in Action
Remnant Water Authority
Rugby Council for Voluntary Service
Rugby MENCAP Hostels
Rugby MIND and Rugby Mental Health Association
Severn Trent Water Plc
Solihull Metropolitan Borough Council
St Paul's College
Stretton on Dunsmore Parish Council
Youth Clubs UK (ceased October 2010)

9 Bulk transfer out of the fund

The Magistrates' Courts left the County Council to join the Civil Service on 1 April 2005. The Government's Actuaries Department have calculated that the fund will receive an annual payment of £0.7 million commencing in April 2011 with the last payment to be received in April 2020.

10 Additional voluntary contributions

In 2010/2011, some members of the pension scheme paid voluntary contributions to Equitable Life and Standard Life to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. The pension fund accounts do not include the assets held by Equitable Life or Standard Life, which were valued at £0.6 million in Equitable Life, and £2.5 million in Standard Life on 31 March 2011. The pension fund accounts also do not include additional voluntary contributions. During the financial year 2010/2011, employees contributed £0.2 million in additional voluntary contributions to Standard Life and £5,000 to Equitable Life.

11 Other disclosures

There were no material related party transactions during the year.

At 31 March 2011, the fund had stock valued at £2.9 million (£9.6 million at 31 March 2010) which was lent out to other organisations. The collateral held against this stock was valued at £3.1 million. This generated a total income of £0.1 million up to 31 March 2011.

The fund does not hold any property directly. Property is held in the form of pooled funds.

Our policy is to reinvest income from fixed interest securities within the pooled units of the fund. During 2010/2011 we did not earn any interest from fixed interest securities held in pooled units.

The fund currently has an outstanding loan with Greater Manchester Pension Fund for £5 million with a maturity date of 30 September 2011.

During the year 2010/2011, the pension fund paid refunds of contributions to employees of £6,000 after tax has been deducted.

Transaction costs totalling £0.4 million attributable to the acquisition and disposal of the funds investments have been added to purchase costs and netted against sale proceeds as shown in note 5.

12 Investment performance

Investment performance	Our pension fund %	Our benchmark %	Local Authority Average %
Yearly return on investments for 2010/2011	7.83%	7.75%	7.90%

Overall in the financial year 2010/2011, the fund had a return of 7.83% compared with the fund's specific benchmark of 7.75%.

13 Contingent liability

We expect to need £0.4 million to cover any possible refunds due to former members of the Local Government Pension Scheme (LGPS) run by Warwickshire County Council (the pension fund) that we have lost contact with. If a member leaves the scheme within three months of joining, they are entitled to a refund of any contributions they may have made into the pension fund during that period. The refund will also include an appropriate amount of interest. The pension fund is continuing to try to contact these former members and arrange refunds to them.

14 Actuarial Present Value of Promised Retirement Benefits as Provided by Mercer Pension Fund Actuary.

This is the statement required under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Warwickshire County Council Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. The results of the valuation are contained in our report dated 31 March 2011.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £1,099 million represented 83% of the Funding Target of £1,328 million at the valuation date. The valuation also showed that a common rate of contribution of 12.8% of pensionable pay per annum was required from employers.

The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.
Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 4.8% of pensionable pay for 19 years. This would imply an average employer contribution rate of 17.6% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2011. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process. For certain employers, in accordance with the FSS, an increased allowance has been made for assumed investment returns on existing assets and future contributions, for the duration of the employer's deficit recovery period.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

Actuarial valuation	Past service %	Future service %
Rate of return on investments - before retirement	7.00%	6.75%
Rate of return on investments - after retirement	5.50%	6.75%
Salary and earnings increases	5.00%	5.00%
Rate of increase in pensions	3.00%	3.00%

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be reviewed with effect from 1 April 2014.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% per annum both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £1,465 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% per annum both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £1,308 million.

15 Nature and Extent of Risk and how the Pension Fund Manages Those Risks

The Pension Fund's activities expose it to a variety of risks:

Credit risk: the possibility that other parties might fail to pay amounts due to the Pension Fund.

***Liquidity risk**:* the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

***Market risk**:* the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.

Credit risk

The Pension Fund is exposed to credit risk through stock lending, derivative contracts, and its daily treasury activities.

The stock lending programme is administered by the Fund's custodian, Bank of New York Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for stock on loan is 105%. This level is assessed daily to ensure it takes account of market movements. In accordance with investment regulations, stock lending is restricted at no more than 25% of the total market value of the stock held within the Fund at any time.

Responsibility for managing the financial risks associated with derivative contracts rests with the appointed investment fund managers, whose performance is regularly monitored and reviewed.

The Pension Fund's bank account is held at Lloyds TSB, which holds a Fitch AA- long term credit rating (or equivalent). The Fund's cash balance is lent to borrowers in accordance with the County Council's Treasury Management Strategy. There are rigorous procedures in place to manage the security of all cash deposits, including criteria for the quality of counterparties and limits on the amount that can be placed with any one of those counterparties.

Liquidity risk

The Pension Fund holds a working cash balance or overdraft in its bank account to pay pensions and other benefits. Cash is also required if the Fund's Private Equity Fund of Fund's manager requires additional funds. The Fund currently enjoys a long term positive cash flow. Cash flow surpluses are invested with fund managers as and when required. The Pension Fund is authorised to borrow in its own right on a short term basis to fund cash flow deficits.

Market risk

To mitigate market risk, the Pension Fund is invested in a diversified pool of assets to ensure a reasonable balance between different asset categories, having taken external professional advice as necessary. The management of the assets is split between a number of investment fund managers with different benchmark performance targets and investment strategies. Each manager is expected to maintain a diversified portfolio within their allocation. Risk associated with the strategy and investment return are regularly monitored and reviewed by the Pension Fund Investment Board.

Interest rate risk is the risk to which the Pension Fund is exposed to changes in interest rates and mainly relates to holdings in bonds. This risk is managed by Legal & General and BlackRock who are the Fund's appointed bond portfolio investment managers.

For investments denominated in non sterling currencies, the Pension Fund is exposed to currency risk as a result of possible fluctuations in foreign currency exchange rates. So far as

the Fund's equity investments are concerned, these risks are mitigated to some extent by the global nature of their underlying businesses. Furthermore, investment fund managers will take account of currency risk in their investment decisions.

Price risk is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Statutory limits prescribed by Regulations are also in place to avoid concentration of risk in specific areas.

An additional area of risk is the outsourcing of custody and accounting services to external third party service organisations. The main service area that the Pension Fund outsources is its custody arrangements with Bank of New York Mellon. The Fund's custodian is responsible for the safekeeping of the Fund's assets and acts as the Fund's clearing bank, settling transactions and collecting income. In addition, they provide a range of support services including stock lending and investment accounting. Bank of New York Mellon is a global industry leader and provides the custodian service to many English local government pension scheme administering authorities.

Glossary

This section explains complicated terms that have been used in this document.

Accruals

Cost of goods and services received in the year but not yet paid for.

Actuarial gain (loss)

For assets, actuarial gains or losses happen when the actual return on investments in the pension fund is different from the expected return. For liabilities, actuarial gains and losses happen when the actual liability is different from the expected liability. For assumptions, actuarial gains or losses happen as a result of changes to the population or financial assumptions the actuary uses to work out the liability. Liabilities are valued in terms of 'today's money'.

Acquisition costs

The cost of buying shares including brokers' commission and stamp duty.

Admitted body

An admitted body is an organisation which can join (be admitted to) the Local Government Pension Scheme (LGPS) if the authority that manages it agrees. The organisation must be non-profit-making and will normally be receiving a grant from either central or local government.

Agency

Where one authority (the main authority) pays another authority (the agent) to do work for them.

Amortisation

The drop in value of intangible assets as they become out of date.

Asset

An item which is intended to be used for several years such as a building or a vehicle.

Benefits we have awarded for added years

When a member of staff retires early because they are made redundant, we can give added years of scheme membership. We meet the costs of giving these added years, usually from the savings that will be made.

Best Value

Under the Local Government Act 1999, local authorities must constantly aim to improve their services, and they must review all their functions within a five-year period ending on 31 March 2005. Best Value gives local authorities a duty to provide local people with high-quality and efficient services.

Billing authority

The local authority which collects the Council Tax. In Warwickshire, the district or borough council is the billing authority.

Budget

A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

Business rates (National Non-Domestic Rates – NNDR)

Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. Business rates are pooled nationally and a share is given back to local authorities based on the number of people living in the area. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound.

Capital fund

Money made available in an earlier year to meet the cost of spending on assets.

Capital Financing Account

This account includes money we have set aside from day-to-day spending to use for capital spending or to repay loans.

Capital creditors

People or organisations we owe money to for capital spending which has not been paid for by the end of the financial year.

Capital debtors

People who owe us money for capital spending that is not paid by the end of the financial year.

Capital instruments

Capital instruments are shares or debentures (a type of long-term loan) that are issued to raise finance.

Capital programme

Our plan of capital projects and future spending on buying land, buildings, vehicles and equipment.

Capital receipts

Income from selling assets that have a long-term value.

Capital spending

Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as computers or vehicles. These items are then capitalised.

Capitalised

Assets that are capitalised are added to the balance sheet.

Capital spending charged to revenue

Paying for capital spending direct from revenue.

Cash-flow statement

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

Central departments

Departments which provide support (for example, legal advice) to departments which deal with the public.

CIPFA

Chartered Institute of Public Finance and Accountancy.

Commutation/commutating

This is where a member of the pension scheme gives up part or all of their pension in return for an immediate lump-sum payment. It is also called a cash option.

Competitive tendering

When trading units from inside the council compete for our business with other organisations (the public sector). The Government can insist we do this (compulsory competitive tendering) or it can be something we choose to do (voluntary competitive tendering).

Contingent liability

A possible liability which may arise when we know the outcome of outstanding claims made against us.

Corporate and democratic core costs

Spending relating to the need to co-ordinate and account for the many services we provide to the public.

Council Tax

A tax based on property. There are eight bands of property values. The amount you pay will depend on which band your property is in. You can get a reduction for empty properties or if you live on your own. In Warwickshire, the district or borough council issues Council Tax bills and collects the Council Tax.

Creditors

People or organisations we owe money to for work, goods or services which have not been paid for by the end of the financial year.

Current assets

Short-term assets which constantly change in value such as stocks, debtors and bank balances.

Current liabilities

Short-term liabilities which are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

Current service cost

Officers employed during the year will have earned one more year of pensionable service. The current service cost is the increase in the value of the pension scheme's liabilities arising from the employee service during the period.

Current spending

The yearly running costs of local authorities, not including specific grants and the cost of buying our assets.

Custodian

An agent, bank, trust company or other organisation which holds and protects the pension fund or assets for us.

Curtailment costs

Curtailment costs arise when many employees transfer out of the scheme at the same time, such as when an organisation transfers its members to another scheme.

Debtors

People who owe us money that is not paid by the end of the financial year.

Deferred charges (intangible assets)

Spending on assets that have a lasting value, for example, land and buildings, which we do not own.

Depreciation

The drop in the value of assets, for example, through wear and tear, age and becoming out of date.

Disclosure

Information we must show in the accounts under the CIPFA code of practice.

Earmarked reserves

Money set aside for a specific purpose.

Fair Value

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Financial Reporting Standard (FRS)

Recommendations on the way we need to treat certain items in our accounts.

Fixed Asset Restatement Account

This account contains the difference between the values of our assets under the previous valuation system based on historical cost and more recent revaluations.

General reserves

Money set aside to be used in the future.

Government grants

Payment by the Government towards the cost of local-authority services. These are either for particular purposes or services (specific grants) or to fund local services generally (revenue support grant).

Government Grants Deferred Account

The amount of money given to us to spend on assets that have a lasting value, for example, land and buildings. This amount is reduced each year as the value of the asset reduces due to wear and tear.

Gross spending

The cost of providing our services before allowing for government grants or other income.

Index tracker

A range of investments that aims to provide the same return as that of a chosen market index, for example, the FTSE Index.

Liabilities

Money we will have to pay to people or organisations in the future.

Loss

The amount left over when expenses are higher than all income received.

Material related-party transactions

Two or more organisations are 'related parties' if, during the year, one of them has some form of control over the other. By ‘material’ we mean of ‘significant value’.

Minimum revenue provision (MRP)

The amount we have to set aside to repay loans.

Net asset value

The total value of an organisation’s assets, less its liabilities and capital charges.

Net book value

The value of an asset after depreciation.

Net interest cost

All members of the scheme are one year older. The net interest cost is the increase in the value of liabilities that arises because the liabilities are one year closer to being paid.

Net spending

The cost of providing a service after allowing for specific grants and other income (not including Council Tax and money from the Government).

Non-distributed costs

Past service pension costs, including settlements and curtailments, which are not to be included in total individual service costs.

Notional

An accounting entry where there is no actual cash transfer.

Operating leases

When we lease goods using this type of lease, ownership of the goods and any profits or losses remain with the company (the lessor) leasing the goods to us.

Overheads

Spending on items not directly related to the supply of our services, for example, office cleaning costs.

Past service costs

The past service cost is the extra liability that arises when we grant extra retirement benefits that did not exist before, such as when we agree early retirement or extra years of service.

Pensions interest cost and expected return on assets

All members of the scheme are one year older. The pensions interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid. The return on assets is the value of the return expected to be achieved on the fund's investments in the long term.

Pooled investment vehicle

This is a fund in which several investors hold units. The assets are not held directly by each investor but as part of a pool. Unit trusts are a type of pooled investment.

Precept

The amount we (the precepting authority) ask the district and borough councils to collect every year for us to meet our spending.

Provisions

Money set aside to meet specific service liabilities, and to meet spending.

Provision for credit liabilities

Money set aside to repay debts or to cover spending which we have borrowed money for. This forms part of the Capital Financing Account.

Public service agreement

An agreement made between a local authority and central government containing a set of agreed targets for improving services. If we meet the targets in our public service agreement, we will receive more funding from central government.

PWLB

The Public Works Loan Board is a government agency which provides long-term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.

Recharges

Charges for services that we have provided.

Reconciliation

A reconciliation explains how figures are worked out, and shows how they are used in different statements in our accounts.

Regeneration

Breathing new life into the local economy.

Reimbursements

Payments we receive for work we do for other public organisations, for example, the Government.

Reserves and funds

Savings we have built up from surpluses.

Restated

This is where we have changed figures that have been published in the past to show the correct ones.

Return on assets

The return on assets is the value of the return we expect to achieve on the fund's investments in the long term.

Revenue spending

Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from Council Tax, government grants, fees and charges.

Revenue Support Grant

The main government grant to support local-authority services.

Reversed out

An item of income or expenditure is taken back out.

Scheduled bodies

A scheduled body is an organisation which either must join the Local Government Pension Scheme (LGPS) by law or, in the case of parish councils, has a legal right to do so.

Settlement costs

Settlement costs arise when we make a lump-sum payment to a scheme member in exchange for their rights to receive certain pension benefits.

Soft Loans

Loans made at less than the market rate of interest.

Specific grants

Payments from the Government to cover local-authority spending on a particular service or project (for example, schools' grants). Specific grants are usually a fixed percentage of the cost of a service or project.

Stock and stores (Inventories)

Goods bought which have not been used.

Surplus

The remainder after taking away all expenses from income.

Trust fund

Money that does not belong to us but is managed by us for the owners of the money.

Unrealised

A change in the market value which does not actually take place until the asset is sold.

Underwriting

When shares are issued on the stock market, an investment manager can earn fees by agreeing to buy shares at a certain price if the demand for the shares is poor.

Unquoted securities

A security that is not traded on the stock market, usually because it is unable to meet the listing conditions.

Virtual bank

A fund for self-financing projects.

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